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QUIZ 5

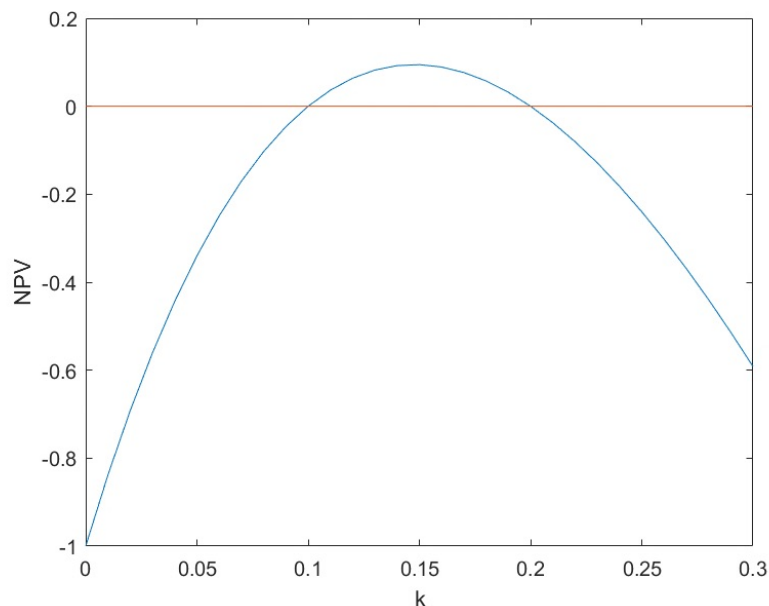
Show all work. Label and clearly explain your answer. *This is very important.* 1) You must explain how you arrived at your answer in order to get full credit. 2) If you do show your work, and your answer is wrong, you can still earn a substantial amount of credit depending on how serious the error is. 3) If your answer is wrong, and you don't show your work, you will get a zero.

Cinco Demayo is considering a project with the following cash flows:

Year	0	1	2
Project CF	-50	+115	-66

- a) Graph the NPV profile for this project.
- b) What is the project's IRR?
- c) Using the IRR rule, should Cinco accept this project? Explain carefully.

$$a) NPV = -50 + \frac{115}{1+k} + \frac{-66}{(1+k)^2}$$



b) IRR is 10% & 20%

c) It should be accepted only when the interest rate is between 10% and 20%.