9.6 Differing Project Time Frames

Sunday, November 1, 2020 2:13 PM

t	Projects X	Y
0	-10	-20
1	5	15
2	5	10
3	5	NA

$i = 5\%$ NPV = 3.62 and 3.36

3.62 ↑ x 3.36 ↑ y

Rollover method

Equivalent annual net benefit (EANB)

$NPV = a(i,T) \cdot V$

$= a(i,T) \cdot EANB$

$EANB = NPV / a(i,T)$ $a(i,T) = (1-\delta^T)\delta/(1-\delta)$

$EANB_x = 3.62/3.56 = 1.02$

$EANB_Y = 3.36/2.72 = 1.23$