Equivalent Annual Annuity Approach - Python Exercise

# Question:

Calculate and print the Equivalent Annual Annuity (EAA) for Project 1 (8 years) and Project 2 (7 years) using np.pmt().

# Question Explanation (20 words):

We compute the EAA using np.pmt() by treating each project as an annuity with its NPV, WACC, and lifespan.

# Answer (Code):

# Import numpy as np  
import numpy as np  
  
# Calculate the EAA for Project 1  
eaa\_project1 = np.pmt(rate=wacc, nper=8, pv=-npv\_project1, fv=0)  
print("Project 1 EAA: " + str(round(eaa\_project1, 2)))  
  
# Calculate the EAA for Project 2  
eaa\_project2 = np.pmt(rate=wacc, nper=7, pv=-npv\_project2, fv=0)  
print("Project 2 EAA: " + str(round(eaa\_project2, 2)))

# Answer Explanation (20 words):

Using np.pmt(), we convert the NPV of each project into an equivalent annual payment across its respective lifespan.

