ACCT4660 Case Study 2

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# Question 1

See excel spreadsheet.

# Question 2

The project will be very profitable, generating a net of $11.1 million dollars. The project has an estimated profitability of 1.76.

The cons are that the project requires a large amount of working capital before construction is complete and the sales can be completed. However, being a construction company, Mescia should be familiar with this type of delayed cash flow.

The pros are the significant net income the project will generate. It will also be a show piece for what the company can do.

# Question 3

I would recommend proceeding with the project. The pros outweigh the cons. Selling the land would only generate $1.5 million dollars in income. If the land is sold it would be publicly embarrassing for Mescia.