## Review Classmates: Module 2 Mini-Project

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| --- | --- |
| **Reviews** | 13 complete |

**Well done!**

You've sent 13 classmates valuable feedback that will help them improve. You can review another submission below or you can continue the course.

Rates



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Submitted on June 6, 2016

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### Part 1

Cut Here, Inc. is considering a new video rendering system for their in-house studio. Currently, there are two options. Each option involves a significant investment in an asset that has a multi-year useful life. The key benefits of each option are cash savings, which Cut Here equates to cash inflows (i.e., compared to the status quo scenario, in which it incurs significant costs in terms of labor, time, etc.).

Use the cash flow information provided in the Assignment Details section of the **Instructions** tab.

Then, use the following measures to assess the two options from a financial perspective. That is, compute the following measures for each option.

* Payback
* Accounting rate of return
* Net present value
* Internal rate of return

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Using Google spreadsheets, The four categories were figured as follows: |  |  |  |  |  |  |  |
| For NPV, the discount rate was 0, for IRR the estimated rate was 12%. |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | Option A | Option B |  | Pay back |  |  |  |
| Immediate outflow | -$100,000 | -$250,000 |  | 100000 |  | 250000 |  |
| Cash Savings |  |  |  |  |  |  |  |
| Year 1 | 10,000 | 1,000 |  | -10000 | 90000 | -1000 | 249000 |
| Year 2 | 50,000 | 2,000 |  | -50000 | 40000 | -2000 | 247000 |
| Year 3 | 20,000 | 3,000 |  | -20000 | 20000 | -3000 | 244000 |
| Year 4 | 70,000 | 1,000 |  | -70000 | -60000 | -1000 | 243000 |
| Year 5 | 80,000 | 20,000 |  | -80000 |  | -20000 | 223000 |
| Year 6 | 10,000 | 390,000 |  | -10000 |  | -390000 | -167000 |
|  |  |  |  |  | -0.29 |  | -0.57 |
| Payback | 3.29 yrs | 6.57 |  |  | 3.29 |  | 6.57 |
| Accounting rate of return | 23.33% | 11.13% |  | arr |  |  |  |
| Net present value | $240,000 | $417,000 |  | 40000 | 16666.67 | 69500 | 41666.67 |
| Internal rate of return | 28% | 9% |  | 23334 |  | 27834 |  |
|  |  |  |  | 100000 |  | 250000 |  |
|  |  |  |  | 23.33% |  | 11.13% |  |

Read the response to Part 1 and assign points below. Be sure to see the detailed rubric on the Instructions tab before assigning points.

* 0 pts - 0 points: No answer, completely irrelevant answer.
* 5 pts - 5 points: Insufficient, incomplete, lacks supporting evidence.
* **7 pts - 7 points: Passing, meets expectations.**
* 9 pts - 9 points: Well above average, exceeds expectations.
* 10 pts - 10 points: Superior performance, excellent.

### Part 2

Based on what you calculated in Part 1, which option would you recommend to Cut Here management?

Based on the information provided in Part 1, I would recommend Option A to Cut Here. It will take less years to recoup funds, the ARR and IRR are much more significant for the company.

Read the response to Part 2 and assign points below. Be sure to see the detailed rubric on the Instructions tab before assigning points.

* 0 pts - 0 points: No answer, completely irrelevant answer.
* 5 pts - 5 points: Insufficient answer, incomplete, lacks supporting evidence.
* 7 pts - 7 points: Passing, meets expectations.
* **9 pts - 9 points: Well above average, exceeds expectations.**
* 10 pts - 10 points: Superior performance, excellent.

### Part 3

Describe some of the strengths and weaknesses of your analysis (i.e., specific measures, etc.). Also, what other considerations might influence your recommendation?

Some weaknesses in the analysis is based on the calculations provided by the spreadsheet and not know what the minimum rate of return the cut Here is looking for. Labor and cost per unit would be another factor that I would want to take a look at.

Read the response to Part 3 and assign points below. Be sure to see the detailed rubric on the Instructions tab before assigning points.

* 0 pts - 0 points: No answer, completely irrelevant answer.
* 5 pts - 5 points: Insufficient answer, incomplete, lacks supporting evidence.
* **7 pts - 7 points: Passing, meets expectations.**
* 9 pts - 9 points: Well above average, exceeds expectations.
* 10 pts - 10 points: Superior performance, excellent.

Please provide any overall feedback that you have for the author of this assignment. What is one strength of the submission? What is one area of improvement that you would like to suggest?

Submit Review

In part A, the payback for Option B is 5.57 years but not 6.57 years.

Good job, kindly marking mine since I retook the course and evaluated more than 200 peers SOLELY due to noone marking mine.

<https://www.coursera.org/learn/managerial-accounting-tools/peer/crAeu/module-2-mini-project/discussions/threads/jBqzpFyDEeaCxw4CtnLVoQ>

Visible to classmates



**®γσ, Eng Lian Hu**a few seconds ago

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