3.4.2.1 NPV Example

$$NPV = I_0 + \sum \frac{F_t}{(1+r+p_t)^t}$$

$r = 0.1 \quad p = 0.04 \quad \frac{1}{1+r+p_t} = 0.8772$

Year	Net Flow	Discount Factor	NPV
0	(100)	1	(100)
1	20	0.8772	17544
2	50	0.8772^2	38 475
3	50	0.8772^3	33 745
4	25	0.8772^4	14 805

Sum them up

NPV = 456 7 > 0

invest ✓