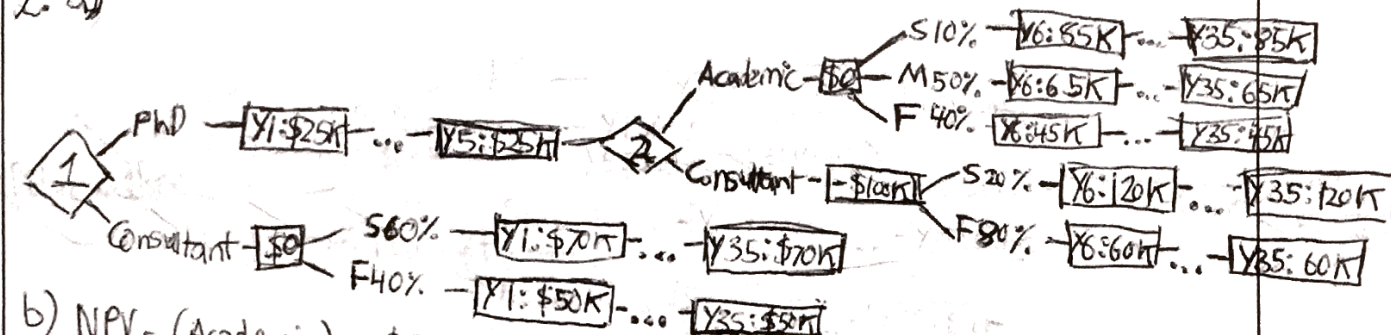


Tutorial #:	6	Student Name:	James La Fontaine	Student ID:	1079860
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Only answers to **Part B questions** are to be submitted by 10:00 am on Monday of the tutorial week. Please note the following:

1. Only **handwritten** work on this hand-in sheet will be marked for reasonable effort. You can either write your answers on this hand-in sheet or write your answers on a piece of paper with your name and student ID written on the top of the page.
2. Only **one** submission per student will be marked. Please make sure that you upload only one file either as a scanned **PDF file** or as a **JPG/PNG picture file**. Other formats will not be accepted by the system.
3. Please fill out all the information before submission.

2. a)



b) $NPV_5 (\text{Academic}) = \556188
 $NPV_5 (\text{Consultant}) = \$578738 \Rightarrow \text{should choose to be a consultant}$

c) $NPV_0 (\text{PhD}) = \$454120$
 $NPV_0 (\text{Consultant}) = \$597938 \Rightarrow \text{should leave and become a consultant}$

d) It is assumed that the risk remains constant for any decision regardless of past decisions.

3. a) $NPV = \frac{(60 - VC) SV}{0.13} \left(1 - \frac{1}{1.13^8}\right) - \left(500000 + \frac{500000}{1.13^{0.55}}\right)$

Variable	NPV			NPV Range
	Pessimistic	Expected	Optimistic	
VC=40 Sales Volume	\$2,868,660	\$4,788,160	\$6,707,670	\$3,839,020
SV=60K Variable Cost	\$469,271	\$4,788,160	\$6,227,800	\$5,758,520
1. Variable Cost 2. Sales Volume				

b) the cost of labour may already be quite low and therefore is more likely to move significantly upwards than significantly downwards. As most of the variable cost is taken up by the cost of labour, we would expect similar behaviour with the variable cost.