

Assignment 6

BUSI 721

Data Driven Finance I

Jones Graduate School of Business

Rice University

Calculate the net present value of the following project. Submit an Excel workbook.

- The XYZ company is considering launching a new product. Sales of the product are expected to rise and then diminish, and it is anticipated that the product will be abandoned after five years.
- Sales (in millions of dollars) are projected as follows:

Year	0	1	2	3	4	5
		100	150	200	120	80

- Labor and material costs for the product would be 50% of sales revenue.
- For the first two years, the new product would reduce sales of existing products by \$20 million and \$10 million, respectively. The existing products have the same 50% gross margin.