

IF YOU THINK THE BEST, YOU WILL NOT BE FAR WRONG (INVESTMENT SELECTION CRITERIA - NPV)

MASCAFÉ13 is having a great success with their coffee pods, so they are thinking about building a new plant to grind and pack coffee. Investment data are:

Investment	45.000€
Loan	10.000€
Grant	5.000€
CF1	21.187,50€
CF2	13.062,50€
CF 3	30.562,50€
Market interest rate	6%

Calculate NPV:

1º) Calculate initial outlay (fill in the formula and calculate)

$$\text{Initial outlay} = \text{Investment value} - \text{Loan} - \text{Grant}$$

$$\text{Initial Outlay} = \underline{\hspace{2cm}} - \underline{\hspace{2cm}} - \underline{\hspace{2cm}}$$

$$\text{Initial Outlay} = \underline{\hspace{2cm}}$$

2º) Calculate NPV (fill in the formula and calculate)

$$NPV = -Cf_0 + \frac{Cf_1}{(1+i)} + \frac{Cf_2}{(1+i)^2} + \dots + \frac{Cf_n}{(1+i)^n}$$

$$NPV = -\underline{\hspace{2cm}} + \frac{\underline{\hspace{2cm}}}{(1+\underline{\hspace{1cm}})} + \frac{\underline{\hspace{2cm}}}{(1+\underline{\hspace{1cm}})^2} + \frac{\underline{\hspace{2cm}}}{(1+\underline{\hspace{1cm}})^3}$$

$$NPV = \underline{\hspace{2cm}}$$