

Name:

Five Minute Exercise

Net Present Value of a Project with Streams of Costs and Benefits

Given:

A project would cost \$220M (million) in year 1, \$242M in year 2 and \$266M in year 3.
It would create \$100M in benefits every year forever starting in year 4.
The interest rate is 10% and some values of $(1+r)^t$ are given below.

t	1	2	3	4	5	6	7	8	9	10
1.1^t	1.1	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59

Determine:

The net present value of the project to the nearest million dollars.

Answer: