You need to evaluate the following Capital Budgeting proposal:

The proposal involves renting space for the venture and requires delivery trucks and other assets.

The PALE GREEN shaded cell should be able to be changed and your model should computed and

Up Front Issues		Cash Flow (Time 0)	Depreciation on
Building improvements	**Capitalize**	**-300.00**	**15**
Fleet of Trucks	**Capitalize**	**-640.00**	**7**
Other Assets	**Capitalize**	**-225.00**	**3**
Hiring and Training	**Expense**	**-25.00**	
Other Tax-deductible expenses	**Expense**		
working Capital		**-18.00**	
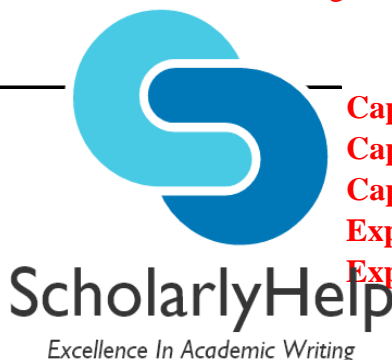
Depreciation starts in period 1

Projected operating profit before tax and depr (EBITDA) =   **120.00**

Profit will grow for 2 years at	**18.0%**	(to give you profit in yea
and then at	**8.0%**	for 5 years,
and then at	**4.0%**	for the remainder of the

Tax rate   **28.0%**

Projected life   **10.00** years

Cost of Capital   **9.50%**

For **Terminal Value**, assume you will shut down operations and take the cash.

1.   **Compute the**

a.	NPV	-207.65
b.	IRR	5.56%
c.	MIRR	7.45%
d.	Payback	5
e.	Discounted Payback	8

2.   **Make 2 Data Tables**

a.   Evaluate the NPV as a function of the cost of capital

b.   Evaluate the MIRR as a function of the cost of Building Improveme

Year		Initial outlay	Working capital recovery	deductible
	0	-$1,190.00	-$18.00	
	1			
	2			
	3			
	4			
	5			
	6			

```
7
8
9
10                                                                      $90.00      -$50.00
```

Depreciation Schedule

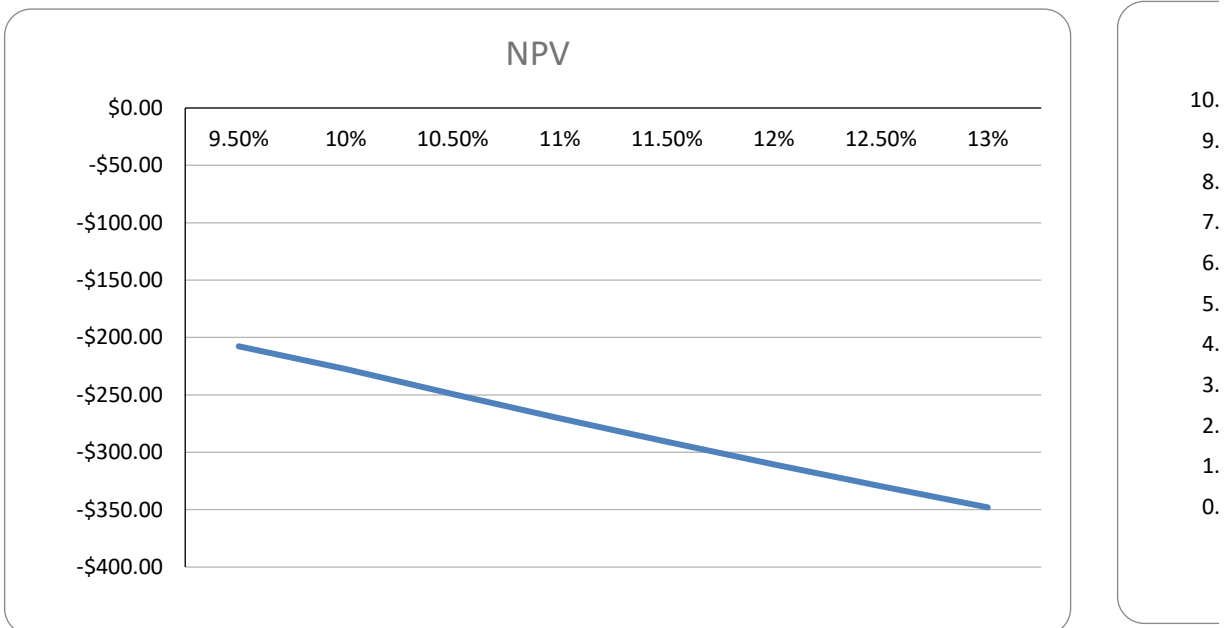| Year	1	2	3	4
Building improvements	$10.00	$19.00	$17.10	$15.40
Trucks	$77.17	$132.25	$94.45	$67.45
Other assets	$41.66	$55.56	$18.51	$9.26

NOTE
Value of building improvements at the end of year 10
Scrap value
Tax saving on loss of building improvement value

Cost of capital	NPV	improvement	outlay	MIRR
9.50%	-$207.65	$200.00	-$895.00	7.45%
10%	-$227.41	$250.00	-$945.00	7.70%
10.50%	-$249.24	$300.00	-$995.00	7.95%
11%	-$270.33	$350.00	-$1,045.00	8.19%
11.50%	-$290.73	$400.00	-$1,095.00	8.44%
12%	-$310.46	$450.00	-$1,145.00	8.69%
12.50%	-$329.54	$500.00	-$1,195.00	8.95%
13%	-$348.01	$550.00	-$1,245.00	9.20%

3.   Graph those tables

display correctly!

Projected Value		MACRS Depreciation Table
0.00		
75.00		
15.00		
-40.00	(Improvements are worthless at the end of the - project, but you will need to restore the building -	
18.00	Restoration expenses are tax-deductible)	

at the end of period 1.
ars 2 and 3),

Build your cashflow table below here to find the Net After-Tax Cash Flow

time.

ents

EBITDA	(As per	Tax	Cash flows	on loss	of trucks and	flows	factor
			-$1,208.00			-$1,208.00	1
$120.00	$128.83	-$2.47	$122.47			$122.47	0.913242
$141.60	$206.81	-$18.26	$159.86			$159.86	0.834011
$167.09	$130.06	$10.37	$156.72			$156.72	0.7616539
$180.46	$92.11	$24.74	$155.72			$155.72	0.6955743
$194.89	$60.63	$37.59	$157.30			$157.30	0.6352277
$210.48	$60.63	$41.96	$168.52			$168.52	0.5801166

$227.32	$60.02	$46.84	$180.48			$180.48	0.5297868
$245.51	$35.88	$58.69	$186.81			$186.81	0.4838236
$255.33	$11.82	$68.18	$187.15			$187.15	0.441848
$265.54	$11.80	$57.05	$158.49	$18.19	-$25.20	$151.48	0.4035142

5	6	7	8	9	10
$13.86	$12.46	$11.80	$11.80	$11.82	$11.80
$48.22	$48.17	$48.22	$24.08		

$64.96

0

$18.19

ScholarlyHelp

Excellence In Academic Writing

MIRR

.00%
.00%
.00%
.00%
.00%
.00%
.00%
.00%
.00%
.00%
.00%
.00%
.00%

$200.00 $250.00 $300.00 $350.00 $400.00 $450.00 $500.00 $550.00
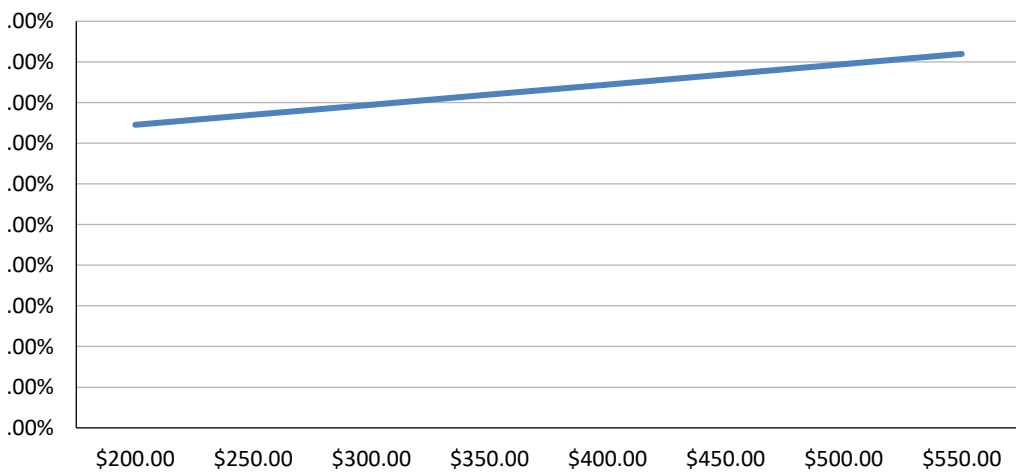
cash flows   FV factor
-$1,208.00
   $111.85
   $133.32
   $119.37
   $108.31
    $99.92
    $97.76

$95.61
$90.38
$82.69
$61.13

Year	MACRS Table
	Life Class
Year	3	5	7	10	15	20
1	33.33%	20.00%	14.29%	10.00%	5.00%	3.750%
2	44.45%	32.00%	24.49%	18.00%	9.50%	7.219%
3	14.81%	19.20%	17.49%	14.40%	8.55%	6.677%
4	7.41%	11.52%	12.49%	11.52%	7.70%	6.177%
5		11.52%	8.93%	9.22%	6.93%	5.713%
6		5.76%	8.92%	7.37%	6.23%	5.285%
7			8.93%	6.55%	5.90%	4.888%
8			4.46%	6.55%	5.90%	4.522%
9				6.56%	5.91%	4.462%
10				6.55%	5.90%	4.461%
11				3.28%	5.91%	4.462%
12					5.90%	4.461%
13					5.91%	4.462%
14					5.90%	4.461%
15					5.91%	4.462%
16					2.95%	4.461%
17						4.462%
18						4.461%
19						4.462%
20						4.461%
21						2.231%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%