

Name:

Five Minute Exercise

Net Present Value of a Project with Delayed Benefits

Given:

A project would cost \$40 million in year 0.

It would generate \$6.7 million of benefits every year forever starting in year 7.

The interest rate is 5%

The table below may be useful if you don't have a calculator that can exponentiate.

t	1	2	3	4	5	6	7	8	9	10
1.05^t	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63

Determine:

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

Answer: