Name:

Five Minute Exercise

Net Present Value of a Project with Delayed Costs

Given:

A project would provide $120 million in benefits in year 0.
It would cause $7.4 million of costs every year forever starting in year 9.
The interest rate is 5% and some values of (1+r)^t are given below.

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: