SILESIAN UNIVERSITY
SCHOOL OF BUSINESS
ADMINISTRATION IN KARVINA

Seminar 06 *Corporate Finance*

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Budgeting methods

1. Evaluate the following project using the NPV method when the alternative cost is 5% p.a .:

Cash flows (USD)	C_0	C_1	C_2	C_3
	- 54,500	25,000	25,000	5,000

2. Evaluate and assess the following projects using the NPV method if you know that the alternative cost is 8%. Please comment on the results.

Year	Project A	Project B
2019		-50,000
2020	-100,000	-50,000
2021	200,000	50,000
2022		50,000
2023		50,000
2024		10,000
2025	200,000	

3. The project requires an investment of CZK 10,000 and will bring CZK 10,700 after a year. Use the IRR method to determine whether you will invest in a project if the interest rate on deposits redeemable at notice is 6% and 9% p.a.

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4. Assess the project by the profitability index when alternative costs are 12% p.a .:

Cash flows (GBP)	Project A	Project B
C_0	- 100 000	- 100 000
C_1	50 000	27 000
C_2	40 000	55 000
C_3	26 000	31 000

5. Consider whether the following 4-year project should be implemented when the cost of capital (discount rate) is 15%. Make a decision based on the Pay Back Period method. Find out the exact maturity. Use the discounted maturity option as well. Please comment on the results.

	C_0	C_1	C_2	C_3	C_4
Cash flows (EUR)	- 6 000	3 000	3 000	3 000	1 000

6. According to the PBP method, evaluate two different projects alternative costs are 12% p.a.

Hotovostní toky	Projekt A	Projekt B
C_0	- 10 000	- 10 000
C_1	5 000	7 000
C_2	4 000	5 000
C_3	6 000	1 000