

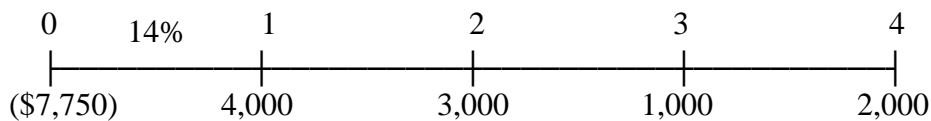
## Hewlett Packard 10B

### COMPUTING NPV AND IRR:

Consider a project with the following characteristics:

<u>Year</u>	<u>CF</u>
0	(\$7,750)
1	4,000
2	3,000
3	1,000
4	2,000

If the firm's required rate of return is 14 percent, the cash flow time line for this project is:



To solve for the net present value (NPV), use follow these steps:

Press **ON** **C ALL**

This clears any numbers that might be in the CF register from previous work.

Enter -7,750 and press **CFj**

Enter 4,000 and press **CFj**

Enter 3,000 and press **CFj**

Enter 1,000 and press **CFj**

Enter 2,000 and press **CFj**

Enter 14 and press **I/YR**

Press **ON** **NPV**

NPV = -73.69 should be displayed.

To compute the IRR, press **ON** **IRR/YR**

IRR = 13.44% should be displayed.

The project is not acceptable.--NPV < 0 and IRR < r = 14%