

Exercise 14-8 (10 minutes)

<i>Item</i>	<i>Year(s)</i>	<i>Amount of Cash Flows</i>	<i>18% Factor</i>	<i>Present Value of Cash Flows</i>
Project X:				
Initial investment....	Now	\$(35,000)	1.000	\$(35,000)
Annual cash inflow .	1-10	\$9,000	4.494	<u>40,446</u>
Net present value ...				<u>\$ 5,446</u>
Project Y:				
Initial investment....	Now	\$(35,000)	1.000	\$(35,000)
Single cash inflow...	10	\$150,000	0.191	<u>28,650</u>
Net present value ...				<u>\$(6,350)</u>

Project X should be selected. Project Y does not provide the required 18% return, as shown by its negative net present value.