

Steffen Tubb

Exam module Code: M5X01176.

Question 1

1a) Superlat ont.

| Year | Net Cash Flow (£) | Cumulative Cash Flow (£) |
|------|-------------------|--------------------------|
| 0    | (200,000)         | (200,000)                |
| 1    | 20,000            | (180,000)                |
| 2    | 40,000            | (140,000)                |
| 3    | 60,000            | (80,000)                 |
| 4    | 60,000            | (20,000)                 |
| 5    | 60,000            | 40,000                   |

Payback between year 4 and 5

$\text{£}60,000 = \text{£}5000^{\text{Per month}}$  Paid back  $\text{£}20,000$  into year 5  
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So...  $\text{£}20000 = 4 \text{ months}$

$\text{£}5000$

Payback = 4 years and 4 months

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| Year | Net Cash Flow (£) | Cumulative Cash Flow (£) |
|------|-------------------|--------------------------|
| 0    | (200,000)         | (200,000)                |
| 1    | 80,000            | (120,000)                |
| 2    | 60,000            | (60,000)                 |
| 3    | 60,000            | 0                        |
| 4    | 40,000            | 40,000                   |
| 5    | 40,000            | 80,000                   |

Payback after 3 years exactly.