

Fudge 4L

Year	Cash Flow (£)	Discount Factor	Present Value (£)
0	(200,000)	1.00	(200,000)
1	80,000	0.9091	72,728
2	60,000	0.8264	49,584
3	60,000	0.7513	45,078
4	40,000	0.6830	27,320
5	40,000	0.6210	24,840

$$\text{Total Cash Flow} = \text{year } (1+2+3+4+5) = \text{£ } 219,550$$

$$\text{NPV} = \text{Total cash flow} - \text{Initial investment}$$

$$= 219,550 - 200,000$$

$$= \text{£ } 19,550$$

Centre 4

Year	Cash Flow (£)	Discount Factor	Present Value (£)
0	(200,000)	1.00	(200,000)
1	60,000	0.9091	54,546
2	60,000	0.8264	49,584
3	60,000	0.7513	45,078
4	60,000	0.6830	40,980
5	60,000	0.6210	37,260

$$\text{Total Cash Flow} = \text{year } (1+2+3+4+5) = \text{£ } 227,448$$

$$\text{NPV} = \text{Total cash flow} - \text{Initial investment}$$

$$= 227,448 - 200,000$$

$$= \text{£ } 27,448$$

- c) In my opinion Project Centre 4 is the best option for the company to follow. Project Supermarket can be eliminated from the options immediately as it doesn't make a profit after the 5 years. Even though Project Fudge 4L has a faster payback than Project Centre 4 it's only by 4 months. Project Centre 4 returns an extra £1898 over the 5 years and this is why I would