

Management Innovation and Sustainability

Question 1

- a) calculate the payback for each option in years and months.

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 = 4 years and x months

$$£60,000 / 12 = £5,000$$

$$\text{month payback} = £20,000 / £5,000 = 4$$

Project Supernatant = 4 years and 4 months.