

## Exam 1

a) calculate payback for each option?

- Supernatant

| $t_r$ |           | <u>cashflow</u> |
|-------|-----------|-----------------|
| 0     | (£200000) | - (£200000)     |
| 1     | (£20000)  | - (£180000)     |
| 2     | (£40000)  | - (£140000)     |
| 3     | (£60000)  | - (£80000)      |
| 4     | (£60000)  | - (£20000)      |
| 5     | (£60000)  | + (£40000)      |

Payback 4 years ? months.

Calculation for month =  $\frac{\text{Income Required}}{\text{contribution per month}}$

To get

$$\text{contribution per month} = \frac{£60000}{12 \text{ months}} = £5000$$

$$\text{calculation of month of payback} = \frac{£20000}{£5000}$$

$$= 4 \text{ months}$$

payback for supernatant is 4 years and 4 months