

## HW - Chapter 8 - Risk Analysis- Q2

### Determination of Net Present Value (NPV)

Year	Expected Cash flow (Rs.)	Certainty equivalent quotient	Adjusted Cash flow (Rs.)	PV factor @ 6%	Total PV (Rs.)
0	(4,00,000)	1.0	(4,00,000)	1.000	(4,00,000)
1	3,20,000	0.8	2,56,000	0.943	2,41,408
2	2,80,000	0.7	1,96,000	0.890	1,74,440
3	2,60,000	0.6	1,56,000	0.840	1,31,040
4	2,40,000	0.4	96,000	0.792	76,032
5	1,60,000	0.3	48,000	0.747	35,856
NPV					2,58,776

As the Net Present Value is positive the project should be accepted.