1. (a). Daddy Freez Company Ltd is investing on the purchase of a machinery with capital Investment of N30,000 with expected cash flows during each of its 4 years economic life as follows: N10,000, N12000, N16000, and N10500 respectively. Find Net Present Value (NPV) of the machinery. Assuming the cost of capital is at 12%.

(b). Using the above Question 1(a) and calculate the Internal Rate of Return for Daddy Freez Company Ltd.

(c). State the advantages and disadvantages of each of the NPV and IRR.

2. Zainabjoy Plc is considering a project with the following cash flow profile.

Year Outlay Savings Running Cost

0 (20000) - -

1 84000 7000

2 112000 12250

3 168000 17500

4 210000 21000

The cost of capital is 15%

Required.

Calculate (i) The project’s Sensitivity to Outlay

(ii) The project’s Sensitivity to Savings

(iii) The project’s Sensitivity to the Running Costs