Multiple choice questions (8 questions - total 8 points.)

M1. When you calculate the NPV of starting a new product line, you realize that instead of buying a new machine for $1 million, you can use existing machine that you already own that could otherwise be sold for $750,000. If you decide that it is best to use the old machine, the cash outflow that should be used for your NPV analysis should be:

a) $1 million
b) $750,000
c) $250,000
d) $0

M2. Suppose you initially invested $100,000 and cashed out with $118,000 after 3 years. What is your Internal Rate of Return (per annum)?

a) Less than 6%
b) 6%
c) More than 6% but less than 18%
d) 18%
e) More than 18%

M3. You want to start a business that you believe can produce cash flows of $12000, $30,000, and $70,000 at the end of each of the next three years, respectively. You also think you can sell the