

Spreadsheet of possible answers

What should be done in accordance with NPV maximization?

| Discount Rate | Growth rate | | | |
|---------------|-----------------|--------|--------|--------|
| | 0.50% | 1% | 1.50% | 2% |
| | <u>w1 share</u> | | | |
| 1% | 0.4998 | 0.4381 | 0.3786 | 0.3227 |
| 2% | 0.5611 | 0.4994 | 0.4380 | 0.3787 |
| 3% | 0.6200 | 0.5601 | 0.4986 | 0.4375 |
| 4% | 0.6751 | 0.6185 | 0.5587 | 0.4976 |
| 5% | 0.7252 | 0.6731 | 0.6166 | 0.5572 |
| 6% | 0.7698 | 0.7230 | 0.6709 | 0.6146 |
| 7% | 0.8088 | 0.7674 | 0.7205 | 0.6685 |
| 8% | 0.8422 | 0.8064 | 0.7649 | 0.7179 |

$h_{80}/h_{30} = (1+g)^{50}$

| | | | |
|------|------|------|------|
| 1.28 | 1.64 | 2.11 | 2.69 |
|------|------|------|------|

What will be done without NPV maximization?