

Solutions to Problem Set 3

Problem 3.1

- a. NPV = -21.7596
- b. Optimistic: NPV = 5.7389,
-8.0103, -16.2599
Pessimistic: NPV = -49.2581,
-49.2581, -32.7590
- c. $Q = 57,913$

Problem 3.2

- a. High: NPV = 12.1599
Low: NPV = -2.6811
- b. NPV = 1.7712
- c. High: $Q = 82.6885$
Low: $Q = 88.0291$

Problem 3.3

NPV = 30.8993

Problem 3.4

- a. NPV = -1.2500
- b. NPV = 0.8916
- c. NPV = 0.6915

Problem 3.5

- a. 1: PI = .3429
2: PI = .1250
3: PI = -.0645
4: PI = .4667
- b. $\rho_1 = .9429$
 $\rho_2 = \rho_3 = 0$
 $\rho_4 = 1$
- c. $\rho_1 = 1$
 $\rho_2 = \rho_3 = \rho_4 = 0$