

THE UNIVERSITY OF THE SOUTH PACIFIC SCHOOL OF DISTANCE EDUCATION BACHELOR OF SCIENCE DEGREE IN INFORMATION TECHNOLOGY

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SCHOOL OF DISTANCE EDUCATION
BACHELOR OF SCIENCE
DEGREE IN INFORMATION TECHNOLOGY
COURSEWORK ASSIGNMENT

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QUESTION 1
A company is considering the purchase of a new piece of equipment. The equipment has a useful life of 5 years and a salvage value of \$10,000. The initial cost of the equipment is \$50,000. The company's cost of capital is 10%. The cash flows from the equipment are as follows:

Year	Cash Flow
0	-\$50,000
1	\$15,000
2	\$18,000
3	\$20,000
4	\$22,000
5	\$25,000

Should the company purchase the equipment? Justify your answer.

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QUESTION 2
A company is considering the purchase of a new piece of equipment. The equipment has a useful life of 5 years and a salvage value of \$10,000. The initial cost of the equipment is \$50,000. The company's cost of capital is 10%. The cash flows from the equipment are as follows:

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QUESTION 3
A company is considering the purchase of a new piece of equipment. The equipment has a useful life of 5 years and a salvage value of \$10,000. The initial cost of the equipment is \$50,000. The company's cost of capital is 10%. The cash flows from the equipment are as follows:

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Should the company purchase the equipment? Justify your answer.

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