

I want an investment in a new product. My projected cash flow is

Year	0	1	2	3
Cash	-20.000	-5.000	15.000	20.000

Discount rate is 6%. Will I find an investor.

Year		Present
0	-20000	-20000
1	$\frac{-5000}{1.06}$	-€4716.98
2	$\frac{15000}{(1.06)^2}$	€13349.95
3	$\frac{20000}{(1.06)^3}$	€16292.39
		<u>€5425.36</u>

$$P = \frac{F}{(1+r)^t}$$

↑
NBV

Net book value .

$NBV > 0 \Rightarrow$ invest

$NBV \leq 0 \Rightarrow$ do not invest .

Year	0	1	2	3
Cash	-€30.000	€2.000	€15.000	€16.500

Discount rate is 4%. Should I invest?

Year		Present
0	-30000	-30.000
1	$\frac{2500}{1.04}$	1.923.08
2	$\frac{15000}{(1.04)^2}$	13.868.34
3	$\frac{16500}{(1.04)^3}$	14.668.44
		€459.86 > 0

NBV or NPV > 0 ⇒ invest
Net present value.