

3.3) Payback period is the amount of time it takes before an investment breaks even

Project 1

Initial investment = 250000

	Bal
Yr 1 Income = 250000	225 000
Yr 2 - 25000	200 000
Yr 3 - 50000	150 000
Yr 4 - 50000	100 000
Yr 5 - 100000	0
=	0

5 years + (0/0) = 5 years

Project 2

	Balance
Yr 0 = +300 000	275 000
Yr 1 - 25 000	225 000
Yr 2 - 50 000	150 000
Yr 3 - 75 000	100 000
Yr 4 - 50 000	50 000
Yr 5 - 50 000	-25 000
Yr 6 - 75 000	
	25 000

$5 + (75/50) = 5.67 \text{ years}$

Project 3

Investment	Balance
200 000	
① - 40 000	260 000
② - 40 000	290 000
③ - 40 000	180 000
④ - 40 000	140 000
⑤ - 80 000	60 000
⑥ - 80 000	-20 000

$5 + (80000/60000) = 6.3 \text{ years}$

3.5) Project 3

- It has the highest return on its investment

34) Project 3, it has the highest net profit and it returns similar profits each year.

36) Project 1

I break even quicker