

Answer on Question #39288 – Economics - Economics of Enterprise

Assignment

Staff members of financial analysis department of global electronic have determine the required investment and rate of return on each of the following capital project

Capital Project	required investment million	internal rate of return(%)
A	5.2	12.9
B	8.6	15.2
C	3.4	10.0
D	5.1	14.8
E	11.2	19.0
F	6.5	7.9

Solution

Capital Project	required investment million	internal rate of return(%)
A	5.2	12.9
B	8.6	15.2
C	3.4	10.0
D	5.1	14.8
E	11.2	19.0
F	6.5	7.9

The best project should have comparatively high IRR (internal rate of return) and low required investment.

According to these requirements, the best project is D, because it is second according to the price and third according to IRR.

So, we should choose project D.