

Industrial Services is analyzing a proposed investment that would initially require \$538,000 of new equipment. This equipment would be depreciated on a straight-line basis to a zero balance over the 4-year life of the project. The estimated salvage value is \$187,000. The project requires \$39,000 initially for net working capital, all of which will be recouped at the end of the project. The projected operating cash flow is \$194,900 a year. What is the internal rate of return on this project if the relevant tax rate is 34 percent?

15.54 percent

- 15.92 percent
- 18.01 percent
- 18.67 percent
- 20.49 percent

		1	2	3	4	
I	-538	-538				
D		87,75	87,75	87,75	87,75	
WC		-39			226	
OCF		194,9	194,9	194,9	194,9	
Income		194,9	194,9	194,9	194,9	
kd	16%	0,865501	0,287349	0,468718	0,214905	
CF		210,8793	81,21906	132,4831	109,3114	-4,10707