Cost Accounting Lanen 5th: 24703: Spring [redacted]

[redacted]

K.2: Cap Budgeting HW

2. value: 12.50 points

Kathy Myers frequently purchases stocks and bonds, but she is uncertain how to determine the rate of return that she is earning. For example, three years ago she paid $17,000 for 650 shares of Malti Company's common stock. She received a $481 cash dividend on the stock at the end of each year for three years. At the end of three years, she sold the stock for $21,000. Kathy would like to earn a return of at least 16% on all of her investments. She is not sure whether the Malti Company stock provided a 16% return and would like some help with the necessary computations. (Ignore income taxes.)

Required:

a. Enter the Excel inputs below to be used to calculate the present value of the cash **inflows** from the investment.

b. Calculate the present value of the cash **inflows** from the investment and the net present value of the investment. **(Any cash outflows should be indicated by a minus sign. Use Microsoft Excel to calculate present values and do not round intermediate calculations.)**

c. Did Kathy Myers earn at least a 16% return on her investment?

- ○ Yes
- ◉ No

d. Enter the Excel formula inputs and calculate the Internal Rate of Return for Kathy's investment.

References **eBook & Resources**

Worksheet Difficulty: 1 Easy Learning Objective: 11-02 Evaluate the acceptability of an investment project using the net present value method.

Check my work

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