Finally, determine the present value of the cash flows and compare that to the $200,000 cost to determine the net present value.

Year	Cash Flow (inflows)	Present Value Factor (12%)	Present Value
1	$ 82,980	0.893	$ 74,101
2	100,200	0.797	79,859
3	68,380	0.712	48,687
4	28,940	0.636	18,406
			$221,053
Present value of inflows			$221,053
Present value of outflows (cost)			200,000
Net present value			$ 21,053

The net present value is positive, and the new equipment should be purchased.