

BS2551 Money Banking and Finance

Seminar 2 Capital Budgeting

Q) For the following projects compute the net present value and IRR. Which project would you choose and why? Assuming a discount factor of 10%.

Year	Project A	Project B
0	-100	100
1	150	-150

If projects are mutually exclusive, independent.

Q) In Practice the IRR method is more commonly used than the NPV. Suggest possible reasons for the popularity of the IRR method.