

**Finance 331 Homework**  
**Due Tuesday, March 23, 2004**

The Pan American Bottling Co. is considering the purchase of a new machine that would increase the speed of bottling and save money. The net cost of this machine is \$45,000. The annual cash flows have the following projections.

Year	Cash flow
1	\$15,000
2	20,000
3	25,000
4	10,000
5	5,000

Assume a cost of capital of 10%.

1. What is the payback?
2. What is the discounted payback?
3. What is the net present value?
4. What is the internal rate of return?