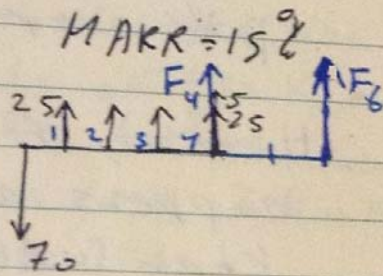


revenue alternative
with short life

Suppose study period = 6 years
two alternatives

| Year | B1 | B2 |
|------|-----|---------|
| 0 | -40 | -70 |
| 1 | 14 | 25 |
| 2 | 14 | 25 |
| 3 | 14 | 25 |
| 4 | 14 | 25 |
| 5 | 14 | 25 + 15 |
| 6 | 14 | |



$$FW(B1) = -40 \times 1.15^6 + 14 \times [(1.15^6 - 1) / 0.15]$$

$$= -40(F/P, 15\%, 6) + 14(F/A, 15\%, 6)$$

$$= \$30,030K$$

Assume

investment of B2 receipts

in year 4 at the MARR

$$FW(B2) = [-70(F/P, 15\%, 4) + 25(F/A, 15\%, 4) + 15](F/P, 15\%, 2)$$

$$= \$23,017 \rightarrow \text{Choose B2}$$

$$[-70 \times 1.15^4 + \frac{25}{0.15} (1.15^4 - 1) + 15] 1.15^2$$