Ex. Ford foundation is considering donating $15 million for teaching math and engineering to high school students. Grant will extend over 10 years, and will save $1.5 million/year in salaries and expenses. However, $200 K year will be removed from other payment funding. M&O costs are $500 K. Ford foundation's MARR is 6%.

Find B/C ratio based on AW

AW (investment cost) = 15,000 (A/P, 6%, 10) = $2,038.050K

AW benefits = $1,500 K

AW disbenefits = $200 K

AW M&O costs = $500 K

Conventional B/C ratio, $\frac{1,500 - 200}{2,038.050 + 500} = 0.51$

B/C < 1 => do not take Project

Modified B/C ratio, $\frac{1,500 - 200 - 500}{2,038.050} = 0.39$