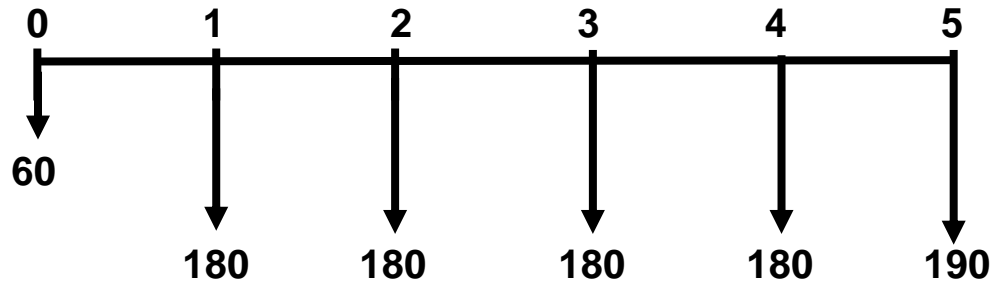


□ Example: Cranes Again

- Tallco MARR is estimated at 15%.
- Crane 1 cash flow diagram



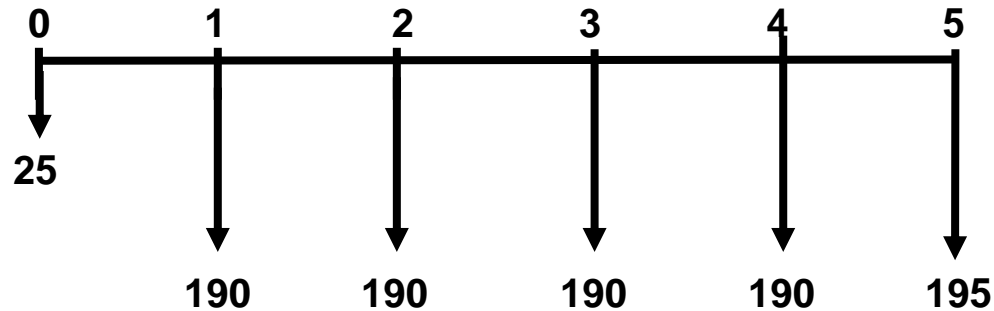
- Equivalent “present value” of Crane 1 costs

$$PV_1 = 60 + \frac{180}{1.15} + \frac{180}{1.15^2} + \frac{180}{1.15^3} + \frac{180}{1.15^4} + \frac{190}{1.15^5} = \$668.36 \text{ K}$$



□ Example: Cranes Again

➤ Crane 2 cash flow diagram



➤ Equivalent “present value” of Crane 2 costs

$$PV_2 = 25 + \frac{190}{1.15} + \frac{190}{1.15^2} + \frac{190}{1.15^3} + \frac{190}{1.15^4} + \frac{195}{1.15^5} = \$664.395 \text{ K}$$

➤ Tallco should rent Crane 2!

