

$$N = 3 \text{ yrs} \quad MV_3 = 350$$

$$BV_3 = 750 - 3(140) = 330$$

Proceeds at 4%  
 $MV - t(MV - BV)$

$$350 - .4(350 - 330)$$

$$= 342$$

NWC = 342

$$\text{Outlay} = 750 + 100 \text{ NWC} = 850$$

$$NPV_3 = -850 + \frac{500(1.6)}{300} (PVIFA_{3\%} - 3) + \frac{100 + 342}{(1+.03)^3}$$

$$= -850 + 1253$$

$$= \underline{\underline{403.08}}$$

$$N = 14 \text{ yrs} \quad MV = 0 \quad \Delta D_6 = 50$$

$$\text{Yr } \Delta CF = (740 - 50)(1-.4) + 50 = 464$$

$$CV = \frac{172.23}{464} = .37 \quad \alpha = .6$$

$$\text{Yrs } 7 \rightarrow 14 \quad \Delta D = 0$$

$$\Delta CF = (740 - 0)(1-.4) = 444$$

$$CV = \frac{172.23}{444} = .39 \quad \alpha = .6$$

$$NPV = -850 + \frac{.6(500)}{(1+.03)^1} + \dots + \frac{.6(500)}{(1+.03)^5} + \frac{.6(464)}{(1+.03)^6} + \frac{.6(444)}{(1+.03)^7} + \dots + \frac{.6(444)}{(1+.03)^{14}}$$

$$= +2,389.31$$