1. Discount 10,000 at 8% for 3 years, to the nearest pound?

   _____ £

2. The founder says the 8,000 architect fee must push the NPV down. The correct reply?

   ☐ it enters both futures, so it differences to zero - the NPV moves by exactly 0

   ☐ yes, subtract 8,000 from the initial outlay

   ☐ add it back as revenue later

   ☐ halve it between equity and debt holders

3. Flows -60,000 +18,000 +22,000 +26,000 +24,000 +20,000. NPV at 8%, to the nearest pound?

   _____ £

4. Scenarios 30% (p 0.3), 12% (p 0.5), -10% (p 0.2). The expected return, in %?

   _____ %

5. Equity 200,000, debt 120,000. The debt weight, in % (one decimal)?

   _____ %

6. DIO 45, DSO 18, DPO 32. The cash conversion cycle, in days?

   _____ days

7. 10,000 in year 3 vs 6,000 today + 4,000 in year 2. Which wins, and by how much?

   ☐ cannot be compared

   ☐ the second, by 1,492 today

   ☐ the first, by 1,492

   ☐ they are equal

8. The Saturday crew would earn 3,000 anyway; 1,200 of festival orders are genuinely lost. The net entry?

   ☐ plus 1,800 netted

   ☐ minus 1,200 a year - only the genuinely diverted cash counts

   ☐ zero - both cancel

   ☐ minus 4,200

9. Two mutually exclusive projects. The ranking rule is:

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   ☐ the shorter payback wins

   ☐ whichever the CFO prefers

   ☐ IRR - the higher rate wins

10. Why does the market not pay a premium for the site losing its chef?

   ☐ it is not really a risk

   ☐ it is specific risk - a diversified holder sheds it for free

   ☐ premiums only apply to bonds

   ☐ chefs are cheap to replace

1. **7938 £**

   $10{,}000/1.08^3 = £7{,}938$ - three divisions, nothing more.

2. **it enters both futures, so it differences to zero - the NPV moves by exactly 0**

   Sunk means gone at the decision moment. The rule is bookkeeping, not heartlessness.

3. **27420 £**

   The inflows discount to 87,420: NPV = 27,420. At the 9.19% WACC, 24,680 - still comfortably positive.

4. **13 %**

   0.3(30) + 0.5(12) + 0.2(-10) = 13.0%.

5. **37.5 %**

   120,000/320,000 = 37.5% - and equity 62.5%. Market values, always.

6. **31 days**

   45 + 18 - 32 = 31 days of the firm own cash bridging the gap.

7. **the second, by 1,492 today**

   Today values: 7,938 vs 6,000 + 3,430 = 9,430 - a 1,492 gap, visible only because both sit at one date.

8. **minus 1,200 a year - only the genuinely diverted cash counts**

   The 3,000 exists in both futures; the 1,200 changes because of the project. Because-of is the only test.

9. **NPV - pounds of value, scale included**

   IRR ignores scale: 50% on 1 pound never beats 20% on 60,000. NPV counts pounds.

10. **it is specific risk - a diversified holder sheds it for free**

    Only systematic risk survives the portfolio; the single-site founder feels it, the diversified investor does not price it.

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