Solutions

2.1

- Year 0: $-14{,}000 - 2{,}000 = -£16{,}000$.
- Survey 3,600: sunk – in both futures.
- Van: opportunity cost of 14,000 (the sale forgone) – in.

2.2

- Taxable profit $= 19{,}000 - 11{,}000 - 3{,}000 = 5{,}000$; tax 1,250.
- After-tax profit 3,750 + depreciation 3,000 = £6,750.

2.3

- $6{,}750 + 2{,}000 = £8{,}750$.

2.4

- Interest is a financing flow: it lives in the discount rate (WACC), never in the list.
- Including it double-counts the cost of capital.

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