Step 2 Calculation of NPV (10%)

120000

CF		life		PVAF	NPV
R.N.	CF	R.No.	life		
19	60000	30	6	4.355	141300
55	40000	45	6	4.355	54200
69	40000	99	8	5.335	93400
17	60000	81	8	5.335	200100
7	60000	12	6	4.355	141300
				$\bar{X}=$	126060 $\left[\frac{630300}{5}\right]$

Evaluation of project using utilities

Cash flows	−20000	−10,000	0	15000	40000
Utilities	−80	−20	0	40	60

project A

CF	probability
40000	0.5
15000	0.3
−10000	0.2

Calculate Expected utilities & decide whether project should be accepted?

Calculation of Exp Utilit

CF	Utilities	prob.	UXP
40000	60	0.5	30
15000	40	0.3	12
-10000	-20	0.2	-4
			38

Expected utility is positive, project should be accepted.