1. Newnan et al., Chapter 5 Problem 26 (p. 175).

2. Newnan et al., Chapter 5 Problem 32 (p. 176).

3. Newnan et al., Chapter 5 Problem 67 (p. 180).

4. Newnan et al., Chapter 5 Problem 68 (p. 181).

5. Consider the example from class about Intel selling dual-core vs. quad-core CPUs, with DCF analysis in the CPUs tab of the lecture9.xls spreadsheet. Suppose that we have to revise our projections. Intel’s vice president of manufacturing informs us that if we stop making dual-core CPUs now, we could sell the fab that currently makes dual-core CPUs for $1 billion. (However, if we don’t stop making dual-core CPUs now, there would be no value to selling the fab in the future.) Compare the following alternatives:
   a) status quo: continue making only dual-core CPUs
   b) make only quad-core CPUs, discontinuing the dual-core CPUs
   c) introduce quad-core CPUs and keep making dual-core CPUs
   d) discontinue dual-core CPUs but also do not introduce quad-core CPUs

5.1) With our revised projections, which alternative is best according to the NPV criterion?

5.2) OPTIONAL BONUS QUESTION: with our revised projections, which alternative has the highest internal rate of return? (Warning: it is not obvious how to formulate the comparison of alternatives’ cashflows so that the IRR is a sensible thing to look at.)