

B-24.09

Nixon Harvesting is considering the purchase of a new tractor. The tractor costs \$280,824, and has a 5-year life. The company uses the straight-line depreciation method, and the tractor has no residual value. The tractor will produce net cash inflows of \$66,667 per year at the end of each year. For purposes of responding to each requirement below, you may assume no income taxes.

- (a) Calculate the net present value of the tractor investment, assuming an 8% rate of return.
- (b) Calculate the accounting rate of return for the tractor investment.
- (c) Calculate the internal rate of return for the tractor investment.
- (d) Calculate the payback period for the tractor investment.