



# Announcements

## Week 9 Assignment

Posted on: Friday, October 25, 2019 11:59:00 PM AST

### Case Study: Rationing Available Capital (100 points)

Consider the following scenario:

A Saudi Arabian hospital bought a new medical laser machine for 2,812,500 Saudi riyals (SAR). The machine will generate a cashflow of 562,500 SAR for six years, which is the expected useful life starting Year 1. The cost of capital is 8 percent. The expected salvage value for each year is shown below:

| Year | Salvage Value (in Saudi riyals - SAR) |
|------|---------------------------------------|
| 0    | 2,812,500                             |
| 1    | 2,250,000                             |
| 2    | 1,687,500                             |
| 3    | 937,500                               |
| 4    | 375,000                               |
| 5    | 93,750                                |
| 6    | 0                                     |

Using NPV, determine at what year the hospital should dispose of the equipment. Please make certain that you show your calculations. Submit your findings in a proposal to the hospital.

Your proposal should include the following components:

- A one-page discussion identifying when the equipment should be disposed of based on NPV.
- The calculations of NPV in an Excel spreadsheet which supports your position. You must show all your calculations for credit.

Your submission should meet the following structural requirements:

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- Formatted according to APA and Saudi Electronic University writing standards.
- Provide support for your statements with in-text citations from a minimum of four scholarly articles. Two of these sources may be from the class readings and textbook, but two must be external and come from peer-reviewed journals.
- The Saudi Digital Library is a good place to find these references.

You are strongly encouraged to submit all assignments to the Turnitin Originality Check prior to submitting them to your instructor for grading. If you are unsure how to submit an assignment to the Originality Check tool, review the Turnitin Originality Check Student Guide.