Question: Consider the following two mutually exclusive projects:

Year	Cash Flow (A)	Cash Flow (B)
0	−$350,000	−$35,000
1	25,000	17,000
2	70,000	11,000
3	70,000	17,000
4	430,000	11,000

Whichever project you choose, if any, you require a 15 percent return on your investment.

a) If you apply the payback criterion, which investment will you choose? Why?
b) If you apply the discounted payback criterion, which investment will you choose? Why?
c) If you apply the NPV criterion, which investment will you choose? Why?
d) If you apply the IRR criterion, which investment will you choose? Why?
e) If you apply the profitability index criterion, which investment will you choose? Why?
f) Based on your answers in (a) through (e), which project will you finally choose? Why?