



ACCCB/543 Competency 1 Assessment and Rubric

Course Title: Managerial Accounting and Legal Aspects of Business

Competency Assessment Title: Net Present and Internal Rate of Return

Assignment Directions

Review the scenario and complete the activity below. This scenario can also be found in the “Problems – Series A” section 10-19A of Ch. 10, “Planning for Capital Investments” of *Fundamental Managerial Accounting Concepts*.

Dwight Donovan, the president of Donovan Enterprises, is considering 2 investment opportunities. Because of limited resources, he will be able to invest in only one of them.

Project A is to purchase a machine that will enable factory automation; the machine is expected to have a useful life of four years and no salvage value. Project B supports a training program that will improve the skills of employees operating the current equipment. Initial cash expenditures for Project A are \$400,000 and for Project B are \$160,000. The annual expected cash inflows are \$126,000 for Project A and \$52,800 for Project B.

Both investments are expected to provide cash flow benefits for the next four years. Donovan Enterprises’ desired rate of return is 8 percent. Your task, as Senior Accountant, is to use your knowledge of net present value and internal rate of return to identify the preferred method and best investment opportunity for the company and present your results to Dwight Donovan.

Use Excel®—showing all work and formulas—to compute the following:

- The net present value of each project. Round your computations to 2 decimal points.
- The approximate internal rate of return for each project. Round your rates to 6 decimal points.

Create an 8- to 10-slide presentation showing the comparison of the net present value approach with the internal rate of return approach that you calculated.

Complete the following in your presentation:

- Analyze the results of the net present value calculations and the significance of these results, supported with examples.
- Determine which project should be adopted based on the net present value approach and provide rationale for your decision.
- Analyze the results of the internal rate of return calculation and the significance of these results, supported with examples.
- Determine which project should be adopted based on the internal rate of return approach and provide rationale for your decision.
- Determine the preferred method in the given circumstances and provide reasoning and details to support the method selected.
- Synthesize results of analyses and computations to determine the best investment opportunity to recommend to the president of Donovan Enterprises and provide rationale for your recommendation.
- Include detailed speaker notes.

Competency Assessment Rubric

Assignment/Performance Criteria	Mastery 100%	Meets Expectations 85%	Not Met 0%
1. Computations (weight 30%)	Showed formulas, formulas were completely correct, showed all calculation details, and calculations were completely correct, resulting in completely accurate interpretations.	Showed formulas, formulas were partially correct, showed some calculation details and calculations are partially correct resulting in inaccurate interpretations.	Showed formulas, formulas were not correct, showed some calculation details and calculations are not correct resulting in inaccurate interpretations or did not show formulas or did not show calculation details.
2. Net Present Analysis (weight 8%)	Thoroughly analyzed results of the net present value calculation; showed the significance of results from a creative and innovative perspective; examples thoroughly supported the analysis.	Partially analyzed results of the net present value calculation; partially showed the significance of results; examples mostly supported analysis.	Narrowly analyzed results of the net present value calculation; narrowly showed significance of results; examples minimally supported analysis or did not analyze the results of the net present value calculation; did not analyze significance of results; did not include examples to support analysis.
3. Net Present Value Approach Decision (weight 8%)	Determined which project should be adopted based on the new present value approach and provided a thorough, creative, and innovative rationale to support decision.	Determined which project should be adopted based on the new present value approach and provided a partial rationale to support decision.	Determined which project should be adopted based on the new present value approach and provided a narrow rationale to support decision or did not determine which project should be adopted based on the new present value approach or did not provide a rationale to support decision.
4. Internal Rate of Return Analysis (weight 8%)	Thoroughly analyzed the results of the internal rate of return calculation; showed the significance of results from a creative and innovative perspective; examples thoroughly supported analysis.	Partially analyzed the results of the internal rate of return calculation; partially showed the significance of results; examples mostly supported analysis.	Narrowly analyzed results of the internal rate of return calculation; narrowly showed the significance of results; examples partially supported analysis or did not analyze results of the internal rate of return calculation; did not analyze significance of results; did not provide examples to support analysis.

Assignment/Performance Criteria	Mastery 100%	Meets Expectations 85%	Not Met 0%
5. Internal Rate of Return Approach Decision (weight 8%)	Determined which project should be adopted based on the internal rate of return approach and provided a thorough, creative, and innovative rationale to support decision.	Determined which project should be adopted based on the internal rate of return approach and provided a partial rationale to support decision.	Determined which project should be adopted based on the internal rate of return approach and provided a narrow rationale to support decision or did not determine which project should be adopted based on the internal rate of return approach or did not provide a rationale to support decision.
6. Preferred Method Decision (weight 18%)	Determined the preferred method for the given circumstances and provided thorough, creative, and innovative reasons and details to support decision.	Determined the preferred method for the given circumstances and provided partial reasons and details to support decision.	Determined preferred method for given circumstances and provided narrow reasons and details to support decision or did not determine preferred method for given circumstances or did not provide reason and details to support decision.
7. Best Investment Opportunity Recommendation (weight 20%)	Thoroughly synthesized the results of analyses and computations from a creative and innovative perspective to determine the best investment opportunity to recommend to the president of Donovan Enterprises.	Partially synthesized the results of analyses and computations to determine the best investment opportunity to recommend to the president of Donovan Enterprises.	Narrowly synthesized the results of analyses and computations to determine the best investment opportunity to recommend to the president of Donovan Enterprises or did not synthesize the results of analyses and computations to determine the best investment opportunity to recommend to the president of Donovan Enterprises.