Name: Id#

ISE 307, Term 153

ENGINEERING ECONOMIC ANALYSIS

Quiz# 2

Date: Monday, August 8, 2016

# 

# **Q1.** The accompanying table shows a cash flow for a company along with CPI:

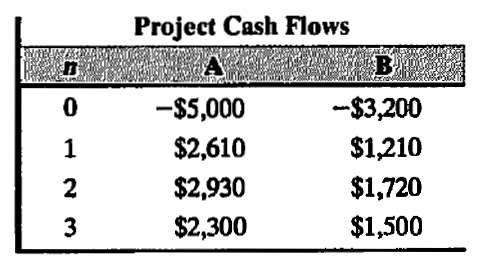
|  |  |  |  |
| --- | --- | --- | --- |
| Year | Cash | CPI | Inflation Rate |
| 0 | 100,000 | 180 |  |
| 1 | 115,000 | 184 |  |
| 2 | 128,000 | 189 |  |
| 3 | 145,000 | 196 |  |

# Assuming that year 0 is the base period, determine the inflation rate for each period, and calculate the average inflation rate over the three years.

# What will be the equivalent cash of year 3 stated in terms of year 1 cash?

# **Q2.** The average starting salary for engineers was $8,000 a year in 1985. John, a mechanical engineer, got an offer for $48,000 a year in 2012. Knowing that the CPIs for 1985 and 2012 are 36.87 and 205.43, respectively, what is John's real salary in terms of constant 1985 dollars?

**Q3.** Consider the following two mutually exclusive investment projects:



At an interest rate of 12%, which project would you recommend choosing?