

Review for 10-25-2016

Returns  $R_0, R_1, \dots, R_n$  (may be + or -)

$$\underline{NPV} = \sum_{t=0}^n V^t R_t = P(i)$$

Yield Rate (internal rate of return) is

the  $i_0$  that makes

$$P(i_0) = 0.$$

Be able to find this  
on your calculator.

It is the interest rate that makes  
(PV of deposits) = (PV of withdrawals)

In many settings payments made over time  
can only be reinvested at rate  $j < i$ .  
This changes the overall project yield.

