

COMPUTER SCIENCE TRIPOS Part II – 2015 – Paper 7

4 Business Studies (JAL)

- (a) Explain the concept of Net Present Value (NPV) and include a description of how it is calculated. [5 marks]
- (b) You are asked to help prepare a bid, under the Private Finance Initiative (PFI) to develop, install and maintain for 4 years, a patient information system for a hospital. The hospital Trust will pay the bid amount in 5 equal annual payments at the beginning of each year. Your development team estimates development and installation will cost £1M and maintenance £100k per annum. Which of the following bids: £1500k, £1600k or £1700k should your team submit, assuming a discount rate of 10% per annum? Show your working. [10 marks]
- (c) Draw up a cash flow for this project. How much funding is needed assuming a loan interest rate of 10% per annum? [5 marks]