PARTICIPANT INSTRUCTIONS

1. You have twenty minutes to review the case.

2. Presentation time is seven minutes. At six minutes the timekeeper will stand and hold up a colored card indicating one minute is left and at seven minutes the timekeeper will stand and hold up a colored card indicating time is up.

3. The team is playing the role of a financial consulting team for Café Excellence. This is a role-playing event with one judge serving as the manager of Café Excellence. The individual/team assumes the role of the chief of hotel operations.

4. Each team member will be given two note cards.

5. Cover all the points described in the case and be prepared to answer questions posed by the judges.

6. All team members must participate in the presentation as well as answer the questions.

PERFORMANCE INDICATORS

- Define cash flow from investment options
- Calculate net present value of investment options
- Explain how value is created for a company
- Analyze cash flow statements and utilize them in financial decision making
- Compare and contrast several investment options

CASE STUDY SITUATION

You will be playing the role of the financial consulting team for a major investment firm. The General Manager for Café Excellence has approached you seeking advice on two competing investment opportunities that they are considering. Each investment requires an initial investment of $40,000 and will result in the following annual cash flows over a six-year period.

<table>
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<th>Year</th>
<th>Alternative 1 ($)</th>
<th>Alternative 2 ($)</th>
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<tbody>
<tr>
<td>1</td>
<td>2,000</td>
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The general manager has asked you to calculate the accounting rate of return for the two investment proposals. You also must calculate the payback for the two investment proposals and calculate the net present value for the two investment proposals, assuming that the company has a required rate of return of 12 percent. Assume that no tax implication will arise as a result of salvaging either of the proposed investments at the end of their useful lives.
Things to consider in your decision:

- Which is the preferred investment opportunity?
- Calculate the payback for each of the investment alternatives. Based on the payback method, state which is the preferred investment.
- Calculate the net present value of each of the alternatives, assuming the general manager uses a discount rate of 10 percent in all NPV calculations.
- Based on your calculations, comment on which, if either, of the investment alternatives should be taken.
JUDGING THE PRESENTATION

1. This is a role-playing event with one judge serving as the general manager for Café Excellence. The individual/team assumes the role of the financial consulting team for a major investment firm that will analyze two investment options you are considering.

2. This can be an individual or team event.

3. Review the Judges’ Instructions and the Case Study Situation.

4. After the introductions, you should begin the meeting by welcoming the team members. The team members will then begin their dialogue with the general manager (judge).

5. This is an interactive problem, so treat the presentation as a conversation. Each of the members of the team should respond to at least one question or issue. At six minutes the timekeeper will stand and at seven minutes the timekeeper will stand and hold up a colored card indicating time is up.

6. You will close the event by thanking the participants for their input and recommendations. The participants will hand in their note cards before leaving.

7. Complete the rating sheet.

JUDGES’ INSTRUCTIONS

You are the general manager for Café Excellence. You are considering two investment options for the $40,000 you have available. Each investment requires an initial investment of $40,000 and will result in the following annual cash flows over a six-year period.

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You have asked the students to calculate the accounting rate of return for the two investment proposals. The participants also must calculate the payback for the two investment proposals and calculate the net present value for the two investment proposals, assuming that the company has a required rate of return of 12 percent. No tax implication will arise as a result of salvaging either of the proposed investments at the end of their useful lives.

During the role-play, feel free to ask any of the following questions:
1. Which is the preferred investment opportunity?
2. What is the payback for each of the investment alternatives? Which payback method offers the preferred investment?
3. What is the net present value of each of the alternatives, assuming the general manager uses a discount rate of 10 percent in all NPV calculations?
4. Which investment alternative should be chosen? Why?

There may be several right answers to this event. There are two issues a team should address, however. First, the team must be able to calculate net present value and demonstrate an understanding of discount rate related to NPV. Second, students must explain the payback method offered by each investment opportunity. Students must give solid reasons for their investment choice.

Feel free to enhance the story as much as you want, but if you enhance it for one, make sure you enhance it for all the groups.