Practice Problems

CATEGORY: HP12c

TOPIC: CALCULATE THE PROPERTY YIELD RATE (IRR)

Problem 1 – Calculate the yield rate (internal rate of return) based on the following investment cash flows.

YEAR	SALE PRICE	NOI	REVERSION	CASH FLOW
0	$300,000			-$300,000
1		$40,000		$40,000
2		$41,800		$41,800
3		$43,000		$43,000
4		$47,250		$47,250
5		$49,000		$49,000
6		$50,600		$50,600
7		$51,775	$100,000	$151,775

Problem Solution – NEXT PAGE

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Problem Solution

KEYSTROKES				DISPLAY	COMMENTS
	f	CLX		0.00	Clear calculator registers
300000	CHS	g	CF$_0$ (PV key)	-300,000.00	Enter the initial investment (sale price) into the register representing beginning of investment
40000	g	CF$_j$	(PMT key)	40,000.00	Enter Year 1 cash flow
41800	g	CF$_j$		41,800.00	Enter Year 2 cash flow
43000	g	CF$_j$		43,000.00	Enter Year 3 cash flow
47250	g	CF$_j$		47,250.00	Enter Year 4 cash flow
49000	g	CF$_j$		49,000.00	Enter Year 5 cash flow
50600	g	CF$_j$		50,600.00	Enter Year 6 cash flow
151775	g	CF$_j$		151,775.00	Enter Year 7 cash flow (the sum of the NOI and the reversion)
	f	IRR	(FV key)	7.64	Calculates the IRR (the yield rate for the investment)