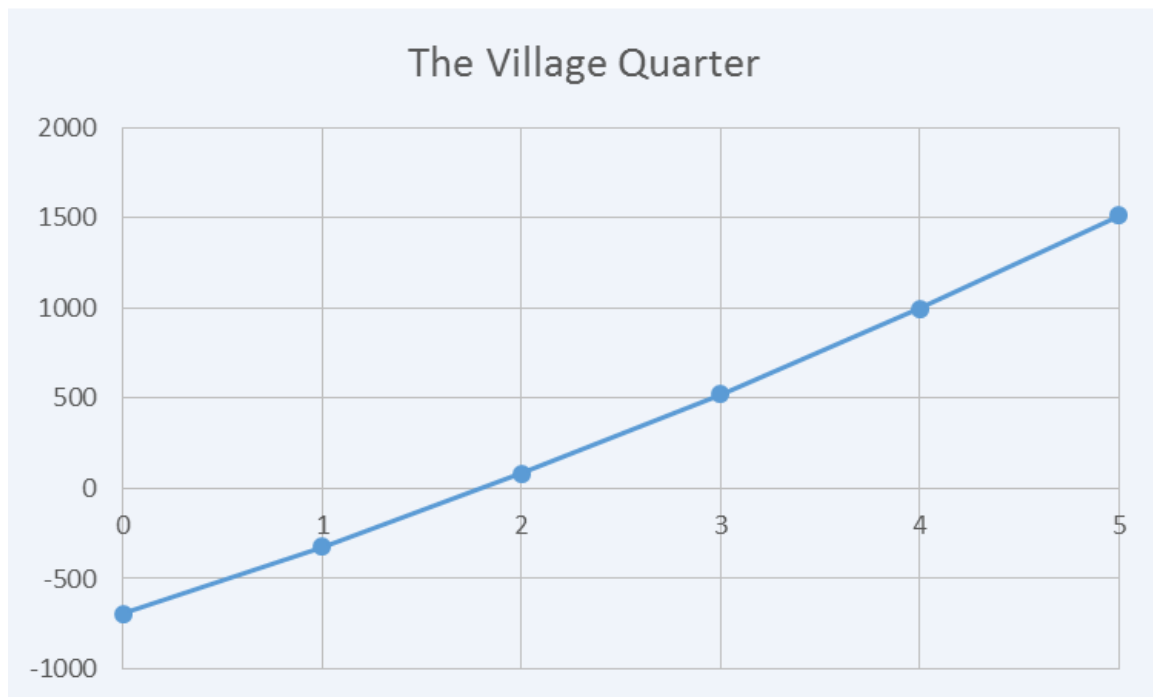


# Payback – activity model answer

Year	Income £k	Outgoing £k	Net cash flow £k	Cumulative net cash flow £k
0		693	-693	-693
1	900	529	371	-322
2	954	550	404	82
3	1,011	572	439	521
4	1,071	595	476	997
5	1,136	619	517	1,514



Payback =  $1 + (322/404)$  or 1.8 years (just over 22 months)