

Pigs-R-Us Example 2 (Present Worth Method)



Pigs-R-Us, a local meat packing company that serves the Memphis in May World Championship BBQ Cooking Contest, is trying to decide whether they should purchase a machine to automate the meat packing process. The machine costs \$200,000 and has a useful life of 10 years. **It will need a \$60,000 overhaul after 5 years of use.** At the end of its useful life, they estimate it will have a salvage value of \$10,000. The machine costs \$9000 per year to operate and maintain, but it will save the company \$50,000 per year in labor costs. Pigs-R-Us has asked you to evaluate the economics of this purchase and tell them what to do. If their MARR of 14%, what would you recommend?