

Pigs-R-Us Example 6 (Payback Analysis)



Pigs-R-Us, a local meat packing company that serves the Memphis in May World Championship BBQ Cooking Contest, is trying to decide whether or not to automate their meat packing process. The machine costs \$200,000, has a useful life of 10 years and a salvage value of \$10,000. The machine costs \$9000 per year to operate and maintain but will save the company \$50,000 per year in labor costs. **How long will it take for Pigs-R-Us to break even if their MARR is 14% per year?**