# Internal Memo — Investment Appraisal Brief

## Executive Summary

You are requested to assess the financial and strategic viability of two proposed investments:  
  
- Project A: High-Rise Green Office Tower  
- Project B: Net-Zero Community Housing Project  
  
Both projects align with the company’s mission to expand sustainable construction. However, they differ significantly in expected financial returns and environmental impact.  
  
Your role: Conduct a capital budgeting analysis and provide a recommendation balancing financial and non-financial factors.

## Investment Options — Key Data

|  |  |  |
| --- | --- | --- |
| **Item** | **Project A: Green Office Tower** | **Project B: Net-Zero Housing** |
| Initial Investment | $1,200,000 | £1,100,000 |
| Discount Rate | 9% | 9% |
| Year 1 Cash Flow | £300,000 | £200,000 |
| Year 2 Cash Flow | £340,000 | £220,000 |
| Year 3 Cash Flow | £360,000 | £240,000 |
| Year 4 Cash Flow | £380,000 | £260,000 |
| Year 5 Cash Flow | £400,000 | £280,000 |
| Total Project Lifespan | 5 years | 5 years |
| Primary Environmental Impact | 30% less energy consumption | Full Net-Zero / Carbon Neutral |

## Capital Budgeting Tasks

You must calculate the following for both projects:  
  
1. Net Present Value (NPV)  
2. Internal Rate of Return (IRR)  
3. Payback Period  
4. Net Return Value (NRV)  
  
Use the provided discount rate of 9% for all NPV calculations. Clearly document all formulas and steps used.

## Strategic Analysis Questions

For your board presentation, prepare short answers to these questions:  
  
1. Which project offers higher financial return?  
2. Which project is more aligned with the firm’s Net-Zero 2040 goal?  
3. If liquidity is limited in the next 3 years, which project is safer?  
4. How might the public image / brand value of the Net-Zero Housing project affect long-term revenues?  
5. Given that the firm is marketing itself as a global ESG leader, how should that factor into the decision?

## Recommendation Format

Your final deliverable should include:  
  
✓ Summary table of NPV, IRR, Payback Period, and NRV  
✓ 1-slide recommendation summary for the board  
✓ 1-paragraph written justification that integrates both financial and strategic considerations