Print Shop NPV

Jeffrey Elkner

University of the People

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NOVA Web Development is a small worker cooperative that builds custom websites for its customers, especially for progressive activist groups and progressive candidates running for political office. In talking to their customers members of the co-op heard a few of them mention the need for printing and ask if NOVA Web could provide that kind of service. Since the co-op already had members with graphic design skills in their group, it made sense for them to consider offering print services as well. They also had enough space in their office for printing equipment, so the only thing they needed to do was determine if it made good business sense to do it.

After investigating the cost of the equipment and its useful lifespan, it was determined that the required printing equipment could be purchased for $80,000, which would have a useful lifespan of seven years, after which it could be sold for parts for $5,000. After some investigation into the revenue of similarly sized print shops, it was agreed that a minimal annual revenue of fourteen thousand dollars could be expected throughout the seven year lifespan of the equipment. Given the co-op's success experience with gradually growing their web development business, some of the members argued that it was perfectly reasonable to plan for increases in revenue to sixteen thousand dollars in year two and to seven thousand dollars in the last three years of the cycle.

With a desired return on investment of seven percent, they used the formula for net present value (Corporate Finance Institute, 2018) to compute the net present value of their eighty thousand dollar investment using each of the two projections discussed, coming up with the values in the table at the top of the next page.

Table: Net Present Value Scenarios

Print Shop NPV								
Required return rate (r):	7%							
Scenario 1								
TIME (Years)	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**
FV	(80,000.00)	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	14,000.00	19,000.00
DF	1.00	0.93	0.87	0.82	0.76	0.71	0.67	0.62
PV	(80,000.00)	13,084.11	12,228.14	11,428.17	10,680.53	9,981.81	9,328.79	11,832.25
NPV	**(1,436.20)**							
Scenario 2								
TIME (Years)	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**
FV	(80,000.00)	14,000.00	16,000.00	16,000.00	16,000.00	17,000.00	17,000.00	22,000.00
DF	1.00	0.93	0.87	0.82	0.76	0.71	0.67	0.62
PV	(80,000.00)	13,084.11	13,975.02	13,060.77	12,206.32	12,120.77	11,327.82	13,700.49
NPV	**9,475.30**							

“Net present value (NPV) tells you if the money an investment makes in the future is worth more or less than what it costs today.” (Fernando, 2025). It is used in determining the hurdle rate, which is “the minimum required return on an investment or project to be deemed acceptable.” (Kenton, 2025).

In the first scenario, which assumes flat revenue for all seven years, the NPV is negative, suggesting that the project should not be undertaken. In the second scenario, assuming increasing revenue, the NPV is over nine thousand dollars positive, suggesting that proposal makes good economic sense. Assuming the truth is somewhere in between still suggests a green light be given for NOVA Web Development to add print shop offerings to its business.

References

Corporate Finance Institute. (2018). Net Present Value (NPV). On *YouTube*. https://www.youtube.com/watch?v=cSAfp6D28RM

Fernando, J. (2025, October 1). *Net Present Value (NPV): What It Means and How to Calculate It*. Investopedia. https://www.investopedia.com/terms/n/npv.asp

Kenton, W. (2025, September 20). *Understanding Hurdle Rates: Essential Insights for Investors and Businesses.* Investopedia. https://www.investopedia.com/terms/h/hurdlerate.asp