Ralph's IRR

1. Demski Problem 12.7

2. Ralph faces an investment opportunity that will last two years. It requires an initial investment of I and returns cash flows of CF1 and CF2 at the end of years one and two respectively. Find sufficient conditions (values of I, CF1, CF2, IRR1, IRR2) such that:

   (1) both IRR1 and IRR2 are rates of return such that the investment yields a net present value of zero and
   (2) $0 < IRR1 < IRR2 < 1$.

Hint: Use Solver and make sure you have read chapter 12.