Name:

The Acme Brick Company is considering adding five lift trucks to its fleet. Both purchasing and leasing were discussed with the fork-truck supplier. If the lift trucks are purchased, they will have a first cost of $18,000; annual operating and maintenance costs are estimated to be $3,750 per truck. At the end of the 5-year planning horizon, the lift trucks are estimated to have salvage values of $3,000 each. The lift trucks qualify as MACRS 3- year property. If the lift trucks are leased, beginning- of- year lease payments will be $5,900 per truck. The supplier includes maintenance in the lease price. However, the company must pay annual operating costs of $1,800 per truck. Lease payments can be expensed for tax purposes.

Using an after-tax MARR of 12 percent and an income- tax rate of 40 percent, **compute the after tax present worth (PWAT) for the purchase option.**