1. What is the economic reason for assuming profit maximization? What is the economic reason for assuming present value maximization? What – if any – is the economic basis for assuming expected profit maximization?

2. 2 periods: Period 1 (this year, or the present) and period 2 (next year). The annual interest rate \( r \) is 5%.
   - What is the interest factor \( R \)?
   - What is the price this year of goods delivered next year? Hint: set \( p_1 \equiv 1 \), solve for \( p_2 \).
   - What should be the price of the following projects? Clearly state your assumptions.

Project 1: First year net revenue = $5 million, second year net revenue = $5 million.
Project 2: First year net revenue = $3 million, second year net loss due to clean-up = $1 million.
Project 3: First year net revenue = $3 million, second year net loss = $3 million.
Project 4: First year net loss due to start-up = $1 million, second year net revenue = $1.01 million.