ABSTRACT

In this study, the investment in tea tree is analysed comparing two methods. The first is replacing the old tea tree and the second method is regenerative system by cutting the neck root of the old tree.

Basic approach applied in this study is comparing the cashflows generated by each methods. The cashflow is analysed using net present value, payback period, and internal rate of return.

The finding shows that the first method produced payback period of 3 years and 11 month, net present value using 16% discount rate is Rp. 720,597,606, and and internal rate of return is 21%, compare to 1 years and 9 month, Rp 918,029,078 net present value, and 38% of method two. This study is also counted the sensitivity analysis with 10% decline of price, 10% decline of production, and 10% decline of price and production. The finding shows that net present value for method one for each sensitivity analysis are following: decline 5%, increase 26% and decline 28%, comparing the following: decline 33%, decline 12% and decline 42% of method two.

The conclusion is that method two, the regenerative system is more favorable. The decision made by the management to implement method two ought to be reconsidered.