



K. K. Wagh Institute of Engineering Education and Research, Nashik

(An Autonomous Institute from A.Y. 2022-23)

Model Answer End-Sem Examination-II, Winter 2025

Academic Year:	2024-2025	Semester:	II
Class:	PG-I	Name of Program:	MBA
Branch Code:	10	Pattern:	Semester
Name of Course:	Financial Management	Course Code:	MBA2410512

Financial Management [MBA2410512]

Q. No.		Marks																																																							
1	<p>Venus Instruments Ltd Common Size Statement</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Particulars</th> <th style="width: 10%;">2024 (₹)</th> <th style="width: 10%;">Percentage</th> <th style="width: 10%;">2025 (₹)</th> <th style="width: 10%;">Percentage</th> </tr> </thead> <tbody> <tr> <td colspan="5">Liabilities</td> </tr> <tr> <td>Share Capital</td> <td style="text-align: right;">20,00,000</td> <td style="text-align: center;">40%</td> <td style="text-align: right;">20,00,000</td> <td style="text-align: center;">33.33%</td> </tr> <tr> <td>Reserve & Surplus</td> <td style="text-align: right;">10,00,000</td> <td style="text-align: center;">20%</td> <td style="text-align: right;">13,40,000</td> <td style="text-align: center;">22.33%</td> </tr> <tr> <td>Non Current Liabilities</td> <td style="text-align: right;">11,00,000</td> <td style="text-align: center;">22%</td> <td style="text-align: right;">8,60,000</td> <td style="text-align: center;">14.33%</td> </tr> <tr> <td>Current Liabilities</td> <td style="text-align: right;">9,00,000</td> <td style="text-align: center;">18%</td> <td style="text-align: right;">18,00,000</td> <td style="text-align: center;">30.00%</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">50,00,000</td> <td style="text-align: center;">100%</td> <td style="text-align: right;">60,00,000</td> <td style="text-align: center;">100.00%</td> </tr> <tr> <td colspan="5">Assets</td> </tr> <tr> <td>Non Current Assets</td> <td style="text-align: right;">36,00,000</td> <td style="text-align: center;">72%</td> <td style="text-align: right;">45,00,000</td> <td style="text-align: center;">75.00%</td> </tr> <tr> <td>Current Assets</td> <td style="text-align: right;">14,00,000</td> <td style="text-align: center;">28%</td> <td style="text-align: right;">15,00,000</td> <td style="text-align: center;">25.00%</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">50,00,000</td> <td style="text-align: center;">100%</td> <td style="text-align: right;">60,00,000</td> <td style="text-align: center;">100.00%</td> </tr> </tbody> </table>	Particulars	2024 (₹)	Percentage	2025 (₹)	Percentage	Liabilities					Share Capital	20,00,000	40%	20,00,000	33.33%	Reserve & Surplus	10,00,000	20%	13,40,000	22.33%	Non Current Liabilities	11,00,000	22%	8,60,000	14.33%	Current Liabilities	9,00,000	18%	18,00,000	30.00%	Total	50,00,000	100%	60,00,000	100.00%	Assets					Non Current Assets	36,00,000	72%	45,00,000	75.00%	Current Assets	14,00,000	28%	15,00,000	25.00%	Total	50,00,000	100%	60,00,000	100.00%	6 Marks
Particulars	2024 (₹)	Percentage	2025 (₹)	Percentage																																																					
Liabilities																																																									
Share Capital	20,00,000	40%	20,00,000	33.33%																																																					
Reserve & Surplus	10,00,000	20%	13,40,000	22.33%																																																					
Non Current Liabilities	11,00,000	22%	8,60,000	14.33%																																																					
Current Liabilities	9,00,000	18%	18,00,000	30.00%																																																					
Total	50,00,000	100%	60,00,000	100.00%																																																					
Assets																																																									
Non Current Assets	36,00,000	72%	45,00,000	75.00%																																																					
Current Assets	14,00,000	28%	15,00,000	25.00%																																																					
Total	50,00,000	100%	60,00,000	100.00%																																																					
2	<p>Vinoflex Ltd. - Ratio Analysis</p> <p>1) Current Ratio Current Ratio = Current Assets / Current Liabilities Current Assets = Sundry Debtors + Prepaid Exp. + Closing Stock + Cash in Hand Current Assets = 500000 + 300000 + 800000 + 500000 Current Assets = ₹ 21,00,000 Current Liabilities = Sundry Creditors + O/s Exps + Bank Over Draft Current Liabilities = 600000 + 500000 + 300000 Current Liabilities = ₹ 14,00,000 Current Ratio = 2100000 / 1400000 Current Ratio = 1.50 times</p> <p>2) Liquid Ratio Liquid Ratio = Liquid Assets / Current Liabilities Liquid Ratio = Current Assets - Stock / Current Liabilities Liquid Ratio = 2100000 - 800000 / 1400000 Liquid Ratio = 0.93 times</p> <p>3) Debt Equity Ratio Debt Equity Ratio = Debt / Equity Debt Equity Ratio = 16% Debentures / (Equity Share Capital + General Reserve + P & L Account Debt Equity Ratio = 1500000 / (1000000 + 600000 + 800000) Debt Equity Ratio = 0.63 times</p>	6 Marks																																																							

<p>4) Inventory Turnover Ratio Inventory Turnover Ratio = COGS / Stock Inventory Turnover Ratio = (Sales - GP) / Stock Inventory Turnover Ratio = (4000000 - 800000) / 800000 Inventory Turnover Ratio = 4 Times</p> <p>5) Debtors Turnover Ratio Debtors Turnover Ratio = Credit Sales / Debtors Debtors Turnover Ratio = 4000000 / 500000 Debtors Turnover Ratio = 8 Times</p> <p>6) Working Capital Turnover Ratio Working Capital Turnover Ratio = Sales / Working Capital Working Capital Turnover Ratio = Sales / (Current Assets - Current Liabilities) Working Capital Turnover Ratio = 4000000 / (2100000 - 1400000) Working Capital Turnover Ratio = 5.71 Times</p>	
---	--

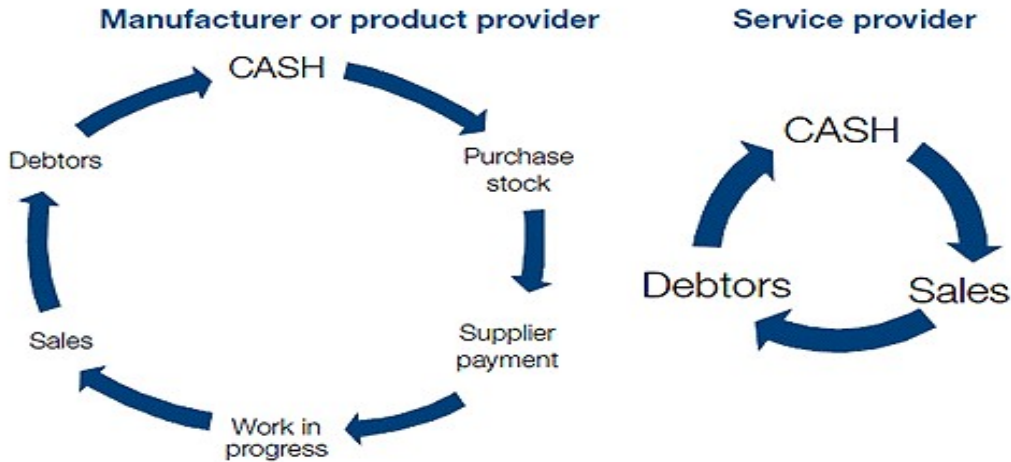
3 a)	Vedant Ltd			8 Marks
	Working Capital Statement (Total Approach)			
	Particulars	₹	₹	₹
	A) Current Assets			
	<u>1) Stock</u>			
	Raw Material 1600 Units X ₹ 3 X 3 Weeks		14,400	
	Finished Goods 1600 Units X ₹ 9 X 2 Weeks		28,800	
	2) Debtors 1600 Units X ₹ 10 X 8 Weeks		1,28,000	
	3) Cash in hand		89,400	
	Gross Working Capital		2,60,600	2,60,600
	Less -			
	B) Current Liabilities			
	1) Creditors 1600 Units X ₹ 3 X 5 Weeks		24,000	
	2) Outstanding Exps 832000 * 10%		83,200	-1,07,200
	Net Working Capital			1,53,400
	Add - contingency 5% of Working Capital Requirement			46,600
	Working Capital Requirement			2,00,000
	Working Notes			
	1) No. of Units per year	2) No. of Units per Week		
	Total Sales / Sales price per unit	Total Units / 52 Weeks		
	832000 / 10	83200 / 52		
	83200 Units	1600 Units		
	OR			

b)		Virat Industries Ltd		
		Working Capital Statement		
Particulars		₹	₹	₹
A) Current Assets				
1) Stock				
Raw Material	500 Units X ₹ 60 X 20 days		6,00,000	
<u>WIP</u>				
Raw Material	500 Units X ₹ 60 X 15 days	4,50,000		
Labour	500 Units X ₹ 15 X 15 days X 45%	50,625		
Overheads	500 Units X ₹ 45 X 15 days X 45%	1,51,875	6,52,500	
Finished Goods	15000 Units X ₹ 120 X 1 Month		18,00,000	
2) Debtors	15000 Units X ₹ 150 X 1 Month X 70%		15,75,000	
3) Adv from Creditors	15000 Units X ₹ 60 X 1 Month X 15%		1,35,000	
Gross Working Capital			47,62,500	47,62,500
B) Current Liabilities				
1) Creditors	15000 Units X ₹ 60 X 2.5 Month X 55%		12,37,500	
<u>2) Outstanding Exps</u>				
Wages	500 Units X ₹ 15 X 10 days	75,000		
Overheads	15000 Units X ₹ 45 X 0.50 month	3,37,500	4,12,500	-16,50,000
Net Working Capital				31,12,500
Add - Contingency				87,500
Working Capital Requirement				32,00,000
Working Notes				
1) No. of Units per year	1) No. of Units per Month	1) No. of Units per day		
Last Year Production + 10%	Total Units / 12 Months	Total Units / 360 days		
150000 + 20% x 150000	180000 / 12	180000 / 360		
1,80,000 Units	15,000 Units	500 Units		
3	Define Working Capital and Explain Importance of Working Capital.			8 marks
c)	<p>“Capital which is required for day to day business transaction is called working capital.”</p> <p>Working Capital = Current Assets – Current Liabilities</p> <p>Current Assets – Assets which are converted into cash in less than one year is called Current Assets. e.g. Inventories, Debtors, Cash and Bank Balance, Prepaid Exps, Investments (Short Term), Marketable Securities etc.</p> <p>Current Liabilities - Liabilities which are paid in less than one year is called Current Liabilities. e.g. Creditors, Outstanding Exps, Provision for Tax, Proposed Dividend, Bank over Draft, Short Term Loans, Cash Credit.</p> <p>• Importance of Working Capital –</p> <ol style="list-style-type: none"> 1. Funds which are required for day to day transaction are provided by cash and cash equivalents. 2. Working capital is required to used Fixed Assets profitably e.g. a machine can not be used productively with out raw material. 3. Need of working capital is directly related to the firms growth. 4. Increase in activity levels and sales should be backed up by suitable investment in WC 5. Adequate working capital determines short term solvency of the firm. 6. It improve the structural health of the business by investing fund at appropriate mix of long term and short term assets 7. The aspect of liquidity and profitability are inversely related. Higher the profitability, lower the liquidity and vice versa. Hence a proper balance between the two is required. 			
OR				

d)

1) Describe Operating Cycle

Time required for conversion of cash into cash equivalents like Raw Material, Work-in-progress, Finished Goods, Debtors, and thereafter back into cash is called Working Capital Cycle.



Computation of Working Capital Cycle =

$$= \text{Raw Material Storage period} + \text{WIP Holding period} + \text{Finished Goods Storage period} + \text{Debtors Collection period} - \text{Creditors Payment period}$$

Significance of Working Capital

1. Fund Rotation – Working capital cycle indicates the total time required for rotation of funds. Faster fund rotation is better for firm.
2. Going Concern – Working capital cycle indicates the Going Concern concept. If the cycle stops, going concern assumption may be lost.
3. Surplus Generation – it represents the process that creates surplus of profit for the business.

2) Explain Cash Cost Approach for Working Capital

Cash Cost Approach – Only Cash expenses excluding depreciation are considered.

Calculation of Working Capital –

Components	Cash Cost Approach
Raw Material	Net Purchase Price
Work-in-progress	Raw Material + 50% of (Direct Labour + Direct Exps + production O/H excluding Depreciation)
Finished Goods	Cost of Production Less Depreciation
Sundry Debtors	Selling Price Less Profit Margin Less Depreciation
Sundry Creditors	Net Purchase Price

For WIP valuation it is assumed that Material are fully issued and other cost (Conversion cost) is 50% completed.

4	Viram Ventures Limited				8 Marks
a)	Calculation of Weighted Average Cost of Capital				
	Source of Fund	Amount (₹)	Weight	Cost of Capital	WACC
		(A)	(B)	(C)	(D) = (B) X (C)
	Equity Shares	28,00,000	40.00%	15.00%	6.00%
	Preference Shares	7,00,000	10.00%	8.00%	0.80%
	Retained Earnings	14,00,000	20.00%	10.29%	2.06%
	Debenture	21,00,000	30.00%	6.30%	1.89%
	Total	70,00,000	100%		10.75%
	Working Notes -				
	1) Cost of Retained Earnings (Kr)				
	Kr = Ke (1-T) (1-B)				
	Ke = Cost of Equity	15%			
	T = Tax Rate	30%			
	B = Brockerage Cost	2%			
	Kr = 0.15 (1 - 0.30) (1 - 0.02)				
	10.29%				
	2) Cost of Debt (Kd)				
	Kd = I (1-T) / NP				
	I = Interest -	1000000 X 9% =	₹ 90,000		
	NP = Issue Price - Brockerage		₹ 10,00,000		
	T = Corporate Tax Rate		30%		
	Kd = 90000 x (1 - 0.30) / 1000000				
	6.30%				
OR					
b)	Varun Beverages Ltd				
	Particulars	(₹) in Lacs			
	Sales	82.50	1) ROI = EBIT / Capital Employed x 100		
	Less - Variable Cost	46.20	=	29.70 / 120	
	Contribution	36.30	=	25%	
	Less - Fixed Cost	6.60	2) EPS = EAT / No. of Equity Shares		
	EBIT	29.70	=	16,38,000/70,000	
	Less – Interest (Rs.50 Lacs X 9%)	4.50	=	₹ 23.40 / share	
	EBT	25.20	3) Operating Leverage = Contribution / EBIT		
	Less – Tax @ 35%	8.82	=	36.30 / 29.70	
	EAT	16.38	=	1.22 times	
			4) Financial Leverage = EBIT / EBT		
			=	29.70 / 25.20	
			=	1.18 times	
	Capital Employed	Rs. (In Lakhs)	5) Combined Leverage = Contribution / EBT		
	Equity Share Capital	70	=	36.30 / 25.20	
	9% Debentures	50	=	1.44 times	
	Capital Employed	120	=		

<p>4 c)</p>	<p>Explain Leverage and Describe Types of Leverage</p> <p>Leverage is a practice which can help a business drive up its gains / losses. In business language, if a firm has fixed expenses in P/L account or debt in capital structure, the firm is said to be levered. Nowadays, almost no business is away from it but very few have struck a balance.</p> <p>Business Risk: It refers to the risk associated with the firm's operations. It is uncertainty about the future operating income. That is, how well can the operating income be predicted? It can be measured by standard deviation of basic earning power ratio.</p> <p>Financial Risk: It refers to the additional risk placed on firm's shareholders as a result of debt used in financing. Companies that issue more debt instruments would have higher financial risk than companies financed mostly by equity. Financial risk can be measured by ratios such as firm's financial leverage multiplier, total debt to assets ratio etc.</p> <p>Types of Leverage</p> <p>1. Financial Leverage (FL) - It is a leverage created with the help of debt component in the capital structure of a company. Higher the debt, higher would be the FL because with higher debt comes the higher amount of interest that needs to be paid. It can be both good and bad for a business depending on the situation. If a firm is able to generate a higher return on investment (ROI) than the interest rate it is paying, leverage will have its positive effect shareholder's return. The darker side is that if the said situation is opposite, higher leverage can take a business to a worst situation like bankruptcy.</p> <p style="text-align: center;">Financial Leverage = EBIT / EBT</p> <p>2. Operating Leverage (OL) - Just like the financial, it is a result of operating fixed expenses. Higher the fixed expense, higher is the OL. Like the FL had an impact on the shareholder's return or say earnings per share, OL directly impacts the operating profits (Profits before Interest and Taxes (PBIT)). Under good economic Conditions, an increase of 1% in sales will have more than 1% change in operating profits.</p> <p style="text-align: center;">Operating Leverage = Contribution / EBIT</p> <p>3. Combined Leverage (CL) - It means combination if operating and financial leverages. It express the effect of changes on sale over changes in taxable profit.</p> <p style="text-align: center;">Combine Leverage = Contribution / EBT</p>	<p>8 Marks</p>
OR		
<p>d)</p>	<p>Summarise Weighted Average Cost of Capital.</p> <p>Weighted average cost of capital is the average cost of the costs of various sources of financing. Weighted average cost of capital is also known as composite cost of capital, overall cost of capital or average cost of capital. Once the specific cost of individual sources of finance is determined, we can compute the weighted average costs of capital by putting weights to the specific costs of capital in proportion to the. Various sources of firm to the total. The weights may be given either by using the book value of the source or market value of the sources.</p> <p>WACC = (Proportion of Equity x Cost of Equity) + (Proportion of Preference + Cost of Preference) + (Proportion of Debt x Cost of Debt)</p> <p>For the above formula, we consider some assumptions in order to simplify & make it calculative.</p> <p>(i) We consider only three types of capital: Equity, non-convertible & non- cancellable preference shares and non-convertible & non-cancellable debts so, we have to ignore other forms of capital. because cost of these forms of capital is very difficult to calculate due to its complexities. Generally, such types of financing covers a minor part only, so it should be excluded as it cannot make any material difference</p> <p>(ii) Debts include: Long term debts as well as short terms debts (i.e. working capital loan, CP etc.)</p> <p>(iii) Non-interest: Bearing liabilities such as trade creditors are not included in the calculation of WACC.</p> <p>This is done to ensure the consistency in reality. Such type of securities have cost but such costs are indirectly reflected in the price paid by I the co. at the time of getting the goods & services.</p>	

5
a)Vadilal Ltd.
Project X

8 Marks

Year	PBDT	Depreciation	PBT	Tax @ 30%	PAT
1	2	3	4 = 2 - 3	5	6 = 4 - 5
1	1,00,000	3,00,000	-2,00,000	-	-2,00,000
2	3,00,000	3,00,000	-	-	-
3	3,50,000	3,00,000	50,000	15,000	35,000
4	5,50,000	3,00,000	2,50,000	75,000	1,75,000
5	7,50,000	3,00,000	4,50,000	1,35,000	3,15,000

Depreciation	Cash Inflow	Cumulative Cash Inflow	PV Factor @ 12%	PV of Cash Inflow
7	8 = 6 + 7	9	10	11 = 8 x 10
3,00,000	1,00,000	1,00,000	0.893	89,286
3,00,000	3,00,000	4,00,000	0.797	2,39,158
3,00,000	3,35,000	7,35,000	0.712	2,38,446
3,00,000	4,75,000	12,10,000	0.636	3,01,871
3,00,000	6,15,000	18,25,000	0.567	3,48,968

Total PV of Cash Inflow 12,17,729
Less - Initial Cash Outflow -15,00,000
NPV -2,82,271

PayBack Period = 4 Years + 2,90,000 * 12 / 6,15,000

= 4 Years 5.659 Months
= 4 Years 5 Months 20 Days

Project Y

Year	PBDT	Depreciation	PBT	Tax @ 30%	PAT
1	2	3	4 = 2 - 3	5	6 = 4 - 5
1	3,00,000	2,90,000	10,000	3,000	7,000
2	3,50,000	2,90,000	60,000	18,000	42,000
3	4,90,000	2,90,000	2,00,000	60,000	1,40,000
4	5,75,000	2,90,000	2,85,000	85,500	1,99,500
5	7,00,000	2,90,000	4,10,000	1,23,000	2,87,000

Depreciation	Cash Inflow	Cumulative Cash Inflow	PV Factor @ 12%	PV of Cash Inflow
7	8 = 6 + 7	9	10	11 = 8 x 10
2,90,000	2,97,000	2,97,000	0.893	2,65,179
2,90,000	3,32,000	6,29,000	0.797	2,64,668
2,90,000	4,30,000	10,59,000	0.712	3,06,066
2,90,000	4,89,500	15,48,500	0.636	3,11,086
2,90,000	5,77,000	21,25,500	0.567	3,27,405
Salvage Value	50,000	21,75,500	0.567	28,371

Total PV of Cash Inflow 15,02,775
Less - Initial Cash Outflow -15,00,000
NPV 2,775

PayBack Period = 3 Years + 4,41,000 * 12 / 4,89,500

= 3 Years 10.811 Months
= 3 Years 10 Months 25 Days

Particulars	Pay Back Period	NPV	Rank
Project P	4 Years 5 Months 20 Days	-2,82,271	II
Project Q	3 Years 10 Months 25 Days	2,775	I

Company should choose Project Y.

OR

b)

V2 Retail Enterprises

Praposal A

Year	CFAT	Depreciation	Actual Cash Inflow
1	2	3	4 = 2 + 3
2021	50,000	5,00,000	5,50,000
2022	2,00,000	5,00,000	7,00,000
2023	3,50,000	5,00,000	8,50,000
2024	2,50,000	5,00,000	7,50,000

Actual Cash Inflow	PV Factor @ 10%	PV of Cash Inflow	Cumulative PV of CI
4	5	6 = 4 X 5	7
5,50,000	0.909	5,00,000	5,00,000
7,00,000	0.826	5,78,512	10,78,512
8,50,000	0.751	6,38,618	17,17,130
7,50,000	0.683	5,12,260	22,29,390
20,000	0.683	13,660	22,43,050

1) Discounted Payback Period

$$= 3 \text{ Years} + 3,02,870 * 12 / 5,12,260$$

$$= 3 \text{ Years } 7.095 \text{ Months}$$

$$= 3 \text{ Years } 7 \text{ Months } 3 \text{ Days}$$

2) Profitability Index

$$= \text{Total PV of Cash Inflow} / \text{Initial Investment}$$

$$= 22,43,050 / 20,20,000$$

$$= 1.11 \text{ Times}$$

3) Actual Rate Return

$$= \text{Average Income} / \text{Average Investment}$$

Average Income = Total Income / Life of Project

$$= 50,000 + 2,00,000 + 3,50,000 + 2,50,000 / 4$$

$$= ₹ 2,12,500$$

Average Investment = Cost + Salvage Value / 2

$$= 20,20,000 + 20,000 / 2$$

$$= ₹ 10,20,000$$

ARR = 2,05,000 / 10,20,000

$$= 20.83\%$$

Praposal B

Year	CFAT	Depreciation	Actual Cash Inflow
1	2	3	4 = 2 + 3
2021	30,000	5,60,000	5,90,000
2022	3,40,000	5,60,000	9,00,000
2023	3,40,000	5,60,000	9,00,000
2024	3,40,000	5,60,000	9,00,000
2025	3,40,000	5,60,000	9,00,000

Actual Cash Inflow	PV Factor @ 10%	PV of Cash Inflow	Cumulative PV of CI	
4	5	6 = 4 X 5	7	
5,90,000	0.909	5,36,364	5,36,364	
9,00,000	0.826	7,43,802	12,80,165	
9,00,000	0.751	6,76,183	19,56,349	
9,00,000	0.683	6,14,712	25,71,061	
9,00,000	0.621	5,58,829	31,29,890	
40,000	0.621	24,837	31,54,727	
1) Discounted Payback Period				
= 4 Years + 2,68,939 * 12 / 5,58,829				
= 4 Years 5.775 Months				
= 4 Years 5 Months 24 Days				
2) Profitability Index				
= Total PV of Cash Inflow / Initial Investment				
= 31,54,727 / 28,40,000				
= 1.11 Times				
3) Actual Rate Return				
= Average Income / Average Investment				
Average Income	= Total Income / Life of Project			
	= 30,000 + 3,40,000 + 3,40,000 + 3,40,000 + 3,40,000 / 5			
	= ₹ 2,78,000			
Average Investment	= Cost + Salvage Value / 2			
	= 28,40,000 + 40,000 / 2			
	= ₹ 14,40,000			
ARR	= 2,78,000 / 14,40,000			
	= 19.31%			
Particulars	Discounted Pay Back Period	PI	ARR	Rank
Praposal A	3 Years 7 Months 3 Days	1.11	20.83%	I
Praposal B	4 Years 5 Months 24 Days	1.11	19.31%	II
Company should choose Praposal A.				
5 c)	Vanilla Metal Company			
	1) NPV @ 10%			
	Year	Cash Inflow	PV Factor @ 12%	PV of Cash Inflow
	1	2	3	4 = 2 x 3
	1	1,00,000	0.893	89,286
	2	1,20,000	0.797	95,663
	3	1,50,000	0.712	1,06,767
	4	1,00,000	0.636	63,552
	Total PV of Cash Inflow			3,55,268
	Less - Initial Cash Outflow			3,06,000
NPV			49,268	
2) Profitability Index				
= Total PV of Cash Inflow / Initial Investment				
= 3,55,268 / 3,06,000				
= 1.16 Times				
OR				

Vama Industries Ltd.					
Negative NPV					
Year	Net Profit After Tax	Depreciation	Cash Inflow	PV @ 18%	PV of CI
1	2	3	4 = 2 + 3	5	6 = 4 X 3
1	-72,000	1,00,000	28,000	0.847	23,729
2	80,000	1,00,000	1,80,000	0.718	1,29,273
3	1,00,000	1,00,000	2,00,000	0.609	1,21,726
4	1,12,000	1,00,000	2,12,000	0.516	1,09,347
5	1,27,000	1,00,000	2,27,000	0.437	99,224
Total PV of Cash Inflow					4,83,299
Less - Initial Cash Outflow					5,00,000
NPV					-16,701
Positive NPV					
Year	Net Profit After Tax	Depreciation	Cash Inflow	PV @ 16%	PV of CI
1	2	3	4 = 2 + 3	5	6 = 4 X 3
1	-72,000	1,00,000	28,000	0.862	24,138
2	80,000	1,00,000	1,80,000	0.743	1,33,769
3	1,00,000	1,00,000	2,00,000	0.641	1,28,132
4	1,12,000	1,00,000	2,12,000	0.552	1,17,086
5	1,27,000	1,00,000	2,27,000	0.476	1,08,078
Total PV of Cash Inflow					5,11,202
Less - Initial Cash Outflow					5,00,000
NPV					11,202
IRR = Lower Rate + [(Positive NPV / NPV Difference) x (Rate Difference)] = 16% + [(11202 / (11202+16701) x (18-16)] = 16% + [0.4015 x 2] = 16.80 %					
Depreciation = Cost of Assets – Scrap Value / Life of Assets = 5,00,000 - 0 / 5 = ₹ 1,00,000					