Professor Vishwanathan Iyer's

HERAMB COACHING CLASSES

Yogeshwar Towers, Katemanivali, Kalyan (E)

SYBCOM/MANAGEMENT ACCOUNTING/01-11-17 MARKS:30 DURATION: 1HOUR

Q.2. Mahad Engineering Co. is considering purchase of a machine costing Rs 5,00,000. Machine is expected to have five years of life with no scrap value. Company provides depreciation on straight line method. Income-tax rate is 30%. Expected Profit after depreciation but before tax and present value of Rs 1 at 10% rate for the next five years is as follows: **(15)**

Year	PV of Rs 1 Rs	N.P. after Dep. But before Tax Rs
1	0.909	1,20,000
2	0.826	1,60,000
3	0.751	2,00,000
4	0.683	2,40,000
5	0.621	2,80,000

You are required to calculate:

1. ARR
2. Pay Back Period
3. Net Present Value
4 Discounted payback
5 Profitability Index

Q.2. Chetan Ltd. is considering purchase of a machine two machines-LPX machine and GPX machine are available, each costing Rs 5,00,000. **(15)**

In comparing profitability of machine, a discounted rate of 10% is to be considered.

Expected Profits after tax and before depreciation are as follows:

Year	**1**	**2**	**3**	**4**	**5**
LPX machine profit	160000	200000	250000	150000	200000
GPX machine profit	60000	150000	200000	300000	200000

Indicate which machine would be more profitable under following methods:

1. ARR
2. Pay Back Period
3. Net Present Value
4 Discounted payback
5 Profitability Index

The net present value of Rs 1 @ 10% discounting factor is as follows:

Year	**1**	**2**	**3**	**4**	**5**
Present value factor	0.909	0.826	0.751	0.683	0.621