

# Spring Semester 2011

## “Business Finance (ACC501)”

Assignment No. 2

Total Marks: 15

### Question

A Volvo enterprise is considering two mutually exclusive projects “**Project A**” and “**Project B**” with an initial investment Rs. 205,000. Board of directors of Volvo has set 4 years as pay back period and required return is set at 7%. The cash inflows associated with two projects are as follows:

Year	Project A	Project B
	(Rs.)	(Rs.)
1	60,000	80,000
2	50,000	50,000
3	40,000	45,000
4	50,000	45,000
5	40,000	45,000

**Keep in to consideration given information. You are required to calculate the following:**

1. Calculate Payback period for each project.
2. Calculate NPV for each project.
3. Calculate PI for each project.
4. Rank the projects by each of the used techniques. Also give justification for this ranking.

### **NOTE:**

*It is necessary to show **formula and complete working.***

*Marks will be **deducted** if instruction will not be followed.*

## Important Tips

1. This Assignment can be best attempted from the knowledge acquired after watching video lecture no. 1 to lecture no 30 and reading handouts as well as recommended text book).
2. Video lectures can be downloaded for free from [www.youtube.com/vu](http://www.youtube.com/vu).

## Assignment Schedule

Opening Date and Time	9 <sup>th</sup> June, 2011 At 12:01 A.M. (Mid-Night)
Due Date and Time	15 <sup>th</sup> June, 2011 At 11:59 P.M. (Mid-Night)

**Note:** Only in the case of Assignment, *24 Hrs extra / grace period* after the above mentioned due date is usually available to overcome uploading difficulties which may be faced by the students on last date. This extra time should only be used to meet the emergencies and above mentioned due dates should always be treated as final to avoid any inconvenience.

## Important Instructions:

Please read the following instructions carefully before attempting the assignment solution.

### Deadline:

- Make sure that you upload the solution file before the due date. No assignment will be accepted through e-mail once the solution has been uploaded by the instructor.

### Formatting guidelines:

- Use the font style "Times New Roman" and font size "12".
- It is advised to compose your document in MS-Word 2003.
- Use black and blue font colors only.

### Solution guidelines:

- For acquiring the relevant knowledge don't rely only on handouts but watch the video lectures and use other reference books also.

### Rules for Marking

Please note that your assignment will not be graded or graded as Zero (0) if:

- It has been submitted after due date
- The file you uploaded does not open or is corrupt
- It is in any format other than .doc (MS. Word)
- It is cheated or copied from other students, internet, books, journals etc...