ASSIGNMENT-4

1. If you deposit Rs. 5,000 today at 6 percent rate of interest, in how many years will this amount double? Work out this problem by using the Rule of 72 and Rule of 69.

2. X Ltd. Is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models M and N of the new machine. Prepare a statement of profitability showing the pay-back period from the following information:

	Machine M	**Machine N**
Estimated life of machine	4 years	5 years
Cost of machine	Rs. 90,000	Rs. 1,80,000
Estimated savings in scrap	5,000	8,000
Estimated savings in direct wages	60,000	80,000
Additional cost of maintenance	8,000	10,000
Additional cost of supervision	12,000	18,000

3. A company is considering investment in a project that costs Rs. 2,00,000. The project has an expected life of 5 years and zero salvage value. The company uses straight line method of depreciation. The company's tax rate is 40%. The estimated earnings before depreciation and before tax from the project are as follows:

Year	***Earnings before depreciation and tax Rs.***	***Presented value factor at 10%***
1.	70,000	0.909
2.	80,000	0.826
3.	1,20,000	0.751
4.	90,000	0.683
5.	60,000	0.621

You are required to calculate the net present value at 10% and advise the company.