

Project Appraisal Examples.

Cash in flows = PAT less dividend + Depreciation **Rs'000**

Year	Project A		Project B	
	P.A.	Cum.	P.A.	Cum.
0	Cash out Flow-1000		Cash out Flow-2000	
1	200	200	400	400
2	300	500	400	800
3	300	800	400	1200
4	400	1200	500	1700
5	400	1600	600	2300
Total outflow	1000		2000	
Total Inflow	1600		2300	
Net	600		300	

	Project A	Project B
Pay back period	3.5 years	4.5 years
Post payback profitability index	600 × 100 divided by 1000 = 60 %	300 × 100 divided by 2000 = 15 %
Return per investment	1600 divided by 1000 = 160 %	2300 divided by 2000 = 115 %
Average rate of return	320 divided by 1000 = 32 %	460 divided by 2000 = 23 %