



# Cosmo School

Class-10

Subject: Finance & Banking  
Chapter- 5 (Capital Budgeting)  
Work sheet

1. Shakil is taking a new project which has an initial cost of Tk 50,000 and salvage value of 10,000. Before deducting depreciation and taxes, he will earn from the project Tk 10,000 Tk 12,000, Tk 14000, Tk 16,000 and Tk 20,000 in next five years respectively. Tax rate is 50% and Shakil calculates depreciation in straight line method.
  - a. How average rate of profit is calculated?
  - b. Calculate the net profit of Shakil's Project.
  - c. Calculate the ARR of Shakil's Project.
2. Initial investment of a project is Tk. 13,00,000. Salvage value of the project is Tk. 1,00,000. Expected life time of the project is 4 years. Year wise Earning after depreciation & tax has been given bellow.

Year	Earning After Depreciation & Tax
1	Tk. 3,00,000
2	Tk. 5,00,000
3	Tk. 4,50,000
4	Tk. 3,50,000

Tax rate is 30%. Expected rate of return of the project is 10%. Investor also expects the invested amount to be returned by 2 years.

- a. What is the importance of capital budgeting?
  - b. Take investment decision by applying ARR method.
  - c. Take investment decision by applying PBP method.
3. Information Box:

Particulars	Project 'X'	Project 'Y'
Sales	(Tk.)	(Tk.)
1st year	6 lack	10 lack
2nd year	12 lack	13 lack
3rd year	9.5 lack	5 lack
Current cost	10% on sales	5% on sales
Fixed cost	1 lack	50,000

The initial cash outflow/investment of two projects is Tk. 15,00,000.

- a. Calculate ARR of both projects.
  - b. Calculate PBP of both projects.
4. One word/ one line question-answer:

1. If initial investment Tk 100,000, expected cash inflow of each year is Tk 20,000. What will be the Payback Period?
2. What is called long term financial plan?
3. What is the key to success of financing?
4. Capital budgeting techniques are used to-?
5. Which one is the field of capital budgeting?
6. Capital budgeting play an important role in-?ss
7. Average cash inflow Tk 3,000 and average initial investment Tk 6,000. What will be ARR?
8. From which we can get cash inflow?
9. What is the result of wrong investment decision?
10. The factor used on Capital budgeting are based on-?

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Lead Teacher's Signature

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Subject Teacher's Signature