

4 BMW Ltd. is considering investing in a Expansion Programme of Plant costing Rs.40,00,000. Forecasted annual income before Depreciation and Tax is as below-

Year	Income (Rs.)
1	20,00,000
2	22,00,000
3	16,00,000
4	18,00,000
5	9,00,000

Depreciation is by SLM, salvage value of the plant is Rs.2,00,000 and taxation at 50% of net income. The cost of capital of the company is 10%. You are required to evaluate the programme according to each of the following method.

- (i) Pay back period.
- (ii) Accounting Rate of Return.
- (iii) Net present value method.
- (iv) Profitability Index method.

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