

## Computerised Accounting Practical

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Model # 005

Project No:

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Title : NPV (**Net Present Value**)

### Question

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Supreme Ltd wants to select one machinery, out of the three alternatives available on the basis of Net Present Value. The cost and inflows of these assets are given below

<b>Machinery</b>	<b>Cost</b>	<b>Inflow 1 Year</b>	<b>Inflow 2 Year</b>	<b>Inflow 3 Year</b>	<b>Inflow 4 Year</b>
Machinery-1	120000	50000	45000	54000	33000
Machinery-2	180000	65000	68000	42000	55400
Machinery-3	230000	65000	64000	48500	42000

Assuming annual interest rate of 10%, find out Net Present Values these three machineries.

### Procedure

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Step-1 : Open a blank worksheet in Libre Office Calc

Step-2 : Enter the table headings in different cells as follows

<b>Cell</b>	<b>Value</b>
A1	Machiney
B1	Outflow
C1	Inflow-1 Yr
D1	Inflow-2 Yr
E1	Inflow-3 Yr
F1	Inflow-4 Yr
G1	NPV

Step-3 : Enter the Machinery Names in the range A2:A4

Step-4 : Enter the cost of machinery as Outflows in the range B2:B4

- Step-5 : Enter the inflows from different machineries under Inflow columns of the relevant years
- Step-6 : In the cell G2 enter the formula **=NPV(10%,C2:F2)-B2** to get the Net Present Value of Machinery - A .
- Step-7 : Select the Cell G2 and drag it down to copy the formula to the rows of Machinery-B and Machinery-C

## Output

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	A	B	C	D	E	F	G
1	<b>Machinery</b>	<b>Cost</b>	<b>Inflow-1 Yr</b>	<b>Inflow-2 Yr</b>	<b>Inflow-3 Yr</b>	<b>Inflow-4 Yr</b>	<b>NPV</b>
2	A	120000	50000	45000	54000	33000	<b>₹25,755.07</b>
3	B	180000	65000	68000	42000	55400	<b>₹4,683.42</b>
4	C	230000	65000	64000	48500	42000	<b>-₹52,891.20</b>

Note : Machinery A gives the maximum NPV, Hence, it may be accepted