

FM Assignment

- 1) i) Loan Amount = 20,000 ₹
- repayment = 1269 ₹ / month
2. Repayment / year = 12708 ₹

$$N = 360$$

$$= 1825 \text{ days}$$

$$APR = \frac{10 \times \text{Interest paid} \times 365 \times 100}{\text{Principal} \times N}$$

$$= \frac{10 \times 5134.8 \times 365 \times 100}{20,000 \times 1825}$$

$$\therefore APR = 5.1348\%$$

- ii) New monthly payment = 274.49
- APR = 5.1348

$$N = ?$$

$$APR = \frac{\text{Interest paid} \times 100}{\text{Principal} \times N}$$

$$N = \frac{\text{Interest paid} \times 100}{\text{Principal} \times APR}$$

$$\rightarrow \text{①}$$

$$\therefore \text{monthly payment} = 274.49$$

$$\therefore \text{Annual payment} = 3293.88$$

From ① and ②

$$N = \frac{3293.88 \times 100}{20,000 \times 5.1348}$$

$$\therefore N = 3.207$$

$$N = 3.21 \text{ years}$$

2) Discounted Payback period
The discounted payback period means how long it will take to recoup an investment based on projected cash flow of project. In fact, the period of discounted payback time (or) discounted payback period is number of years discounted cash covers the initial investment.

1) Payback Period:

The payback period term means, time required to recover the investment cost for an investment project. The less the payback period the investment project can get result quickly. In short, it is number of years necessary to get return of funds invested for an investment project.

2) Net present value calculated convert to currency. Both payback period & the same suggest calculated word period of time required to generate return for initial investment to be repaid.

Payback method doesn't account time value of money, inflation, risk while NPV take time value of

3)

NPV is a standard method for using the time value money for projects. Time series of cash is calculated. The payback method doesn't properly assess time value of money, which NPV does.

D & Graham also shows maximum acceptable period and look to consider occurrence after 100% back period and also Profit or loss is not indicated SONPV provides better decision than pay back rule