

## HW - Chapter 7 - Capital Budgeting- Q1

ARR = Average Profits ÷ Average Investment x 100

$$= (460,000 \div 5) \div \text{Rs. } 5,40,000 \times 100$$

$$= \text{Rs. } 92,000 \div \text{Rs. } 5,40,000 \times 100 = 17.04\%$$

Where,

Average Investment =  $\frac{1}{2}$  (Initial investment + Salvage value)

$$= \frac{1}{2} (\text{Rs. } 10,00,000 + \text{Rs. } 80,000) = \text{Rs. } 5,40,000$$