1a).Net Present Value of The project = Present Value of Inflows- Intial Investment						
Particulars/ye	0	1	2	3	4	5
Intial						
Investment	1000000					
Working	300000					
Revenue	0	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Cash Fixed Cos	st	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Cash Varible c	ost	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Depreciation		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Gross Profit		5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Тах		1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Net Profit		3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
Cash Inflow		5,300,000	5,300,000	5,300,000	5,300,000	5,300,000
Discounting R	ate	0.909090909	0.826446281	0.751314801	0.683013455	0.620921323
Present value		4,818,182	4,380,165	3,981,968	3,619,971	3,290,883
Total Present	Value of the In	flows for 5 Yea	20091169.88			
Add: Present v	alue of Workir	ng capital	186276			

20277445.88

Therefore, NPV of Project = \$9,977,446

NPV of the project is positive. It is expected to create the wealth for Blinkerai Limited, so it must be accpected.

b). SENSITIVI						
Sensitivity and	alysis of NPV wi	th respect to n	o.of units sold			
To compute t	he breakeven p	oint, NPV=0				
	PVIFA(10%,5)*	CF + 186276- I	nitial Investme	ent= 0		
PVIFA = 3.790	787					
3.790787*cf +186276-10300000 = 0						
	cf =	2667974.75				
Margin of Saf	€ 50					
<b>T</b> I.:	there is unfavo	ourable deviati	on of 50% in CE	then NPV wo	uld be negativ	e
i nis means, it			011 01 00/010.	,	ulu se negatit	с.
So now NPV	s calculated wit	th decrease in	10% of units			
So, now NPV	is calculated wit	th decrease in	10% of units.			
So, now NPV	Is calculated with 0	th decrease in	10% of units.	3	4	5
So, now NPV Particulars/ye	Is calculated wi	th decrease in	10% of units.	3	4	5
Particulars/yo Intial Investment	Is calculated with a calculate	th decrease in	10% of units.	3	4	5
Particulars/ye Intial Working	Is calculated with the second	th decrease in	10% of units.	3	4	5
Particulars/ye Particulars/ye Intial Investment Working Revenue	s calculated wi	th decrease in 1 9,000,000	10% of units.	<b>3</b> 9,000,000	9,000,000	9,000,000
Particulars/ye Particulars/ye Intial Investment Working Revenue Cash Fixed Cc	Is calculated with a second se	th decrease in 1 9,000,000 1,000,000	10% of units. 2 9,000,000 1,000,000	<b>3</b> 9,000,000 1,000,000	9,000,000	9,000,000 1,000,000
Particulars/ye Particulars/ye Intial Investment Working Revenue Cash Fixed Co Cash Varible	Is calculated with a calculate	th decrease in 1 9,000,000 1,000,000 1,800,000	10% of units. 2 9,000,000 1,000,000 1,800,000	<b>3</b> 9,000,000 1,000,000 1,800,000	<b>4</b> 9,000,000 1,000,000 1,800,000	9,000,000 1,000,000 1,800,000
Particulars/ye Particulars/ye Intial Investment Working Revenue Cash Fixed Co Cash Varible Depreciation	Is calculated with a calculate	th decrease in 9,000,000 1,000,000 1,800,000 2,000,000	10% of units. 2 9,000,000 1,000,000 1,800,000 2,000,000	<b>3</b> 9,000,000 1,000,000 1,800,000 2,000,000	<b>4</b> 9,000,000 1,000,000 1,800,000 2,000,000	9,000,000 1,000,000 1,800,000 2,000,000
Particulars/ye Particulars/ye Intial Investment Working Revenue Cash Fixed Co Cash Varible o Depreciation Gross Profit	s calculated wi 0 10000000 300000 0 st cost	th decrease in 9,000,000 1,000,000 1,800,000 2,000,000 4,200,000	10% of units. 2 9,000,000 1,000,000 1,800,000 2,000,000 4,200,000	<b>3</b> 9,000,000 1,000,000 1,800,000 2,000,000 4,200,000	<b>4</b> 9,000,000 1,000,000 1,800,000 2,000,000 4,200,000	9,000,000 1,000,000 1,800,000 2,000,000 4,200,000
Particulars/ye Particulars/ye Intial Investment Working Revenue Cash Fixed Co Cash Varible Depreciation Gross Profit Tax	ls calculated with a second se	th decrease in 9,000,000 1,000,000 1,800,000 2,000,000 4,200,000 1,428,000	10% of units. 2 9,000,000 1,000,000 1,800,000 2,000,000 4,200,000 1,428,000	<b>3</b> 9,000,000 1,000,000 1,800,000 2,000,000 4,200,000 1,428,000	4 9,000,000 1,000,000 1,800,000 2,000,000 4,200,000 1,428,000	9,000,000 1,000,000 1,800,000 2,000,000 4,200,000 1,428,000

Cash Inflow	4,772,000	4,772,000	4,772,000	4,772,000	4,772,000	
Discounting Rate	0.909090909	0.826446281	0.751314801	0.683013455	0.620921323	
Present value	4,338,182	3,943,802	3,585,274	3,259,340	2,963,037	
Total Present Value of the In Add: Present value of Workir	18089634.46 186276					
18275910.46 Therefore, NPV of Project = <u>\$7,975,910</u> There is unfavourable deviation 10% in units, but NPV is still positive.						

c). SCENARIO	ANALYSIS.					
NPV in the Bas	sed Case scena	rio				
Particulars/Ye	0	1	2	3	4	5
Intial						
Investment	1000000					
Working	300000					
Revenue	0	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Cash Fixed Co	st	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Cash Varible C	Cost	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Depreciation		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Gross Profit		5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Тах		1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Net Profit		3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
Cash Inflow		5,300,000	5,300,000	5,300,000	5,300,000	5,300,000
Discounting R	ate	0.909090909	0.826446281	0.751314801	0.683013455	0.620921323
Present value		4,818,182	4,380,165	3,981,968	3,619,971	3,290,883
Add: Present v Therefore. NP	value of Workin V of Proiect =	sg.977.446		20,277,446		
NPV in the wo	rst case scenar	io				
Particulars/Ye	0	1	2	3	4	5
Intial Investment	10000000					
Working	300000					
Revenue	0	6.300.000	6.300.000	6.300.000	6.300.000	6.300.000
Cash Fixed Co	st	1.200.000	1.200.000	1.200.000	1.200.000	1.200.000
Cash Varible Cost		1.540.000	1.540.000	1.540.000	1.540.000	1.540.000
Depreciation		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Gross Profit		1,560,000	1,560,000	1,560,000	1,560,000	1,560,000
Тах		530,400	530,400	530,400	530,400	530,400
Net Profit		1,029,600	1,029,600	1,029,600	1,029,600	1,029,600
Cash Inflow		3,029,600	3,029,600	3,029,600	3,029,600	3,029,600

Discounting R	ate	0.909090909	0.826446281	0.751314801	0.683013455	0.620921323	
Present value		2,754,182	2,503,802	2,276,183	2,069,258	1,881,143	
Total Present Value of the Inflows for 5 Years11,484,568Add: Present value of Working capital186,27611,670,844							
Therefore, NP	V of Project =	\$1,370,844					
NPV in the best case scenario.							
Particulars/ re	0	Ŧ	۷.	3	4	3	
Investment	1000000						
Working	300000						
Revenue	0	15,600,000	15,600,000	15,600,000	15,600,000	15,600,000	
Cash Fixed Co	st	900,000	900,000	900,000	900,000	900,000	
Cash Varible C	Cost	2,340,000	2,340,000	2,340,000	2,340,000	2,340,000	
Depreciation		2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
Gross Profit		10,360,000	10,360,000	10,360,000	10,360,000	10,360,000	
Тах		3,522,400	3,522,400	3,522,400	3,522,400	3,522,400	
Net Profit		6,837,600	6,837,600	6,837,600	6,837,600	6,837,600	
Cash Inflow		8,837,600	8,837,600	8,837,600	8,837,600	8,837,600	
Discounting R	ate	0.909090909	0.826446281	0.751314801	0.683013455	0.620921323	
Present value		8,034,182	7,303,802	6,639,820	6,036,200	5,487,454	
Total Present Value of the Inflows for 5 Years33,501,457Add: Present value of Working capital186,27633,687,733							
Therefore, NPV of Project = \$23,387,733							
Since in question probabilty of each case is not given, it is taken as equal for all the cases i.,e, .33% Therefore , probablity based weighted NPV = \$11.462.888							