Solution

Requirement #01	
Payback Period	
Project A	**Project B**
=4 + 5000/40,000 =4.125 year	= 3+30,000/45,000 =3.67 year
Requirement #02	
NPV	
= -205,000 +60,000/(1.07)+50,000/$(1.07)^2$ +40,000/$(1.07)^3$ +50,000/$(1.07)^4$ +40,000/ $(1.07)^5$ =-205,000+60,000/(1.07)+50,000/1.1449 +40,000/1.2250+ 50,000/1.3108+40,000/ 1.4026 =-205,000+56,074+43,672+32,653 +38145+28,518 =-205,000 +199,062 =Rs. -5,938	-205,000+80,000/(1.07)+50,000/$(1.07)^2$ +45,000/$(1.07)^3$ +45,000/$(1.07)^4$ +45,000/ $(1.07)^5$ =-205,000+80,000/(1.07)+50,000/1.1449 +45,000/1.2250 +45,000/1.3108+45,000/ 1.4026 =-205,000+74,766+43,672+36,735 +34,330+32,083 = -205,000 + 221,586 =Rs.16,586
Requirement #03	
PI = PV of future cash flows /cash outflow	
PI= 199,062/205,000= 0.97	**PI=** 221,586/205,000 =1.08

Requirement #04

Pay Back Period
Project with lower Payback period will be acceptable, So Project B is acceptable.
NPV
Project with Higher NPV will be acceptable so, Project B will be acceptable
PI
Project with PI>1 will be acceptable. So, project B will be acceptable.