

ACC501-Business Finance

Final Term Special 2006

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1. What is effective annual rate of 9% compou

- 1 9.53%
- 2 9.38%
- 3 9.32%
- 4 9.00%

1. An investment is acceptable if its calculated _____ is less than some specified number of years.
2. The net credit period for a company with terms of 3/10 net 60 is : ?
3. The main difference between a positive and negative covenant is (are): ?
4. Assume that Younas Corporation, which operates a fleet of ships, is considering replacing them with a new model. The data in table below are available for the old and new ships.

Items	Old ships	New ships
1. cash inflows	Rs 120 million p.a	Rs 135 millions
2. cash outflows	55 millions p.a	60 millions
3. estimated life	5 years	8 years
Disposal value:		
a) at present	Rs 20 millions	
b) in 8 years time	Nil	8 millions
Cost of new ships		175 millions
Required rate of return	15% pa	15% pa

Management is considering two proposals:

- A. Replace the old ships now and assume that the new ships are operated for 8 years and replaced in perpetuity.
- B. Replace the old ships in 5 years time and assume that the new ships are operated for 8 years and replaced in perpetuity.

Which of these proposals should management accept?

5. The difference between the return on a risky investment and that on a risk free investment is called???.
6. Which one is an inventory control method?
7. Ntu Corporation has just paid a dividend of Rs 5 per share. The dividend of this company grows at a steady rate of 12 % per share. Based on the above information what would be the amount of dividend in 4 years?
8. Cheques written by a firm generates_____, causing a decrease in the firm's book balance but no change in its available balance.
9. Working capital management includes, in part, the administration of cash, marketable securities, receivables and inventories.(true , false)
10. An agent who arranges securities transaction among investors (matching investors wishing to buy securities with investors wishing to sell securities) is a: ?
11. Briefly describe the role of finance manager?
12. When analyzing a project one should include sunk costs in the analysis.(true , false)
13. Suppose project A has average net income of Rs 150,000 where as its average book value is Rs 500,000. The average accounting return would be_____.
14. the project cash flows from a proposed investment are:

Year	Cash flow
1	20,000
2	30,000
3	70,000

The project costs Rs 80,000. What is the payback period for this investment?

15. Short term financing is oftenly called the networking capital management.
16. Suppose Mehran Corporation is running a project who's EBIT are rs 300,000 where as depreciation expense for the year is rs 150,000. Net operating cash flow from the project is rs 330,000. The total amount of taxes paid during the year is_____?
17. Suppose Mr. Imran khan buy some stock for Rs35 per share. At the end of the year, the price is Rs 40 per share. During the year, Mr. Imran khan gets an Rs 6 dividend per share. What would be the dividend and capital gains yield and also the total %age return?

18. the expression 3/10, net 55 means that customers receive a 10% discount if they pay within 3 days; otherwise they must pay in full in 55 days.(true , false)
19. Suppose Aslam corporation stock has a dividend yield of 13% whereas it's total income return is 28%. The capital gain yield would be_____?
20. Rahim Inc. paid Rs 30,000 as tax in 2006. If the tax rate was 40%, what was the taxable income of the corporation during 2005?
21. consider the following choronological events

Day	Activity	Cash effect
0	Acquired inventory on credit	???
30	Pay for inventory	Rs 25000
45	Sell inventory on credit	???
70	Collect on sale	Rs 33000

What would be the operating and cash cycle for the organization?

22. Concentration banking is a method of slowing up the collection of checks written by a firm.(true, false)
23. Suppose you have a portfolio compromised of two securities. You have 60 shares of the stock X valued at Rs 10 per share and 40 shares of stock Y valued at Rs 3 per share. What is the approximate weight of stock X in the portfolio?
24. Ammar is running a company Ammar and Co. he has asked you to evaluate his company's ability to pay bills over the short run without undue stress. For this purpose you will study which category of ratios of the company?
25. Briefly describe the components of credit policy?
26. _____are competing projects among which only one can be selected.
27. Suppose BT Corporation has issued preferred stock which paid Rs 25 annually and sold for RS 200 per share. The cost of preferred stock would be_____?
28. You will receive Rs 150,000 after 13 years. What would be the present value of this amount if the discount rate is 5.75% compounded semi annually?
29. A firm sells 9000 units per month is trying to determine how many units to keep in inventory. The finance manger has determined that its costs Rs 280 to replace a new order. The cost of holding inventory is 6 cents per average unit.
- Determine the optimal quantity to be ordered.
 - Calculate the total cost, total carrying cost and total restocking cost.
30. _____is a grant of authority by a shareholder to someone else to vote the shareholders share.
31. Suppose Mt Corporation has a weighted average cost of capital of 18%. The financial institutions are ready to lend it a loan at 12%. It has a target capital structure of 70% equity and 30%debt. The cost of equity would be_____?