

Question No: 1 (Marks: 1) - Please choose one

The Ratios showing the ability of a firm to pay its bills in short-run are called:

- ? Leverage Ratios
- ? Liquidity Ratios
- ? Profitability Ratios
- ? Market Value Ratios

Question No: 2 (Marks: 1) - Please choose one

Evaluating the size, timing and risk of future cash flows is the essence of :

- ? Capital Budgeting
- ? Capital Structure
- ? Inventory Control
- ? None of the given options

Question No: 3 (Marks: 1) - Please choose one

Sumi Corporation is dealing in furniture industry. It has an equity multiplier of 1.78 times. The debt to equity ratio would be:

- ? 0.38 times
- ? 0.58 times
- ? 0.78 times
- ? 0.98 times

Question No: 4 (Marks: 1) - Please choose one

_____ involves the sale of used securities from one investor to another.

- ? Primary Market
- ? Secondary Market
- ? Tertiary Market
- ? None of the given options

Question No: 5 (Marks: 1) - Please choose one

SNT Corporation paid Rs. 28,900 as tax in 2006. If the tax rate was 34%, what was the taxable income of the corporation during 2006?

- ? Rs. 90,000
- ? Rs. 85,000
- ? Rs. 65,000
- ? Rs. 77,000

Question No: 6 (Marks: 1) - Please choose one

_____ pays no coupon at all and is offered at a price that is much lower than its stated value.

- ? Government Bond
- ? Floating Rate Bond
- ? Zero Growth Bond
- ? None of the given options

Question No: 7 (Marks: 1) - Please choose one

Which of the following statement provides a financial summary of the firm's operating results during a specified period.

- ? Balance Sheet
- ? Income Statement
- ? Cash Flow Statement
- ? Retained Earning Statement

Question No: 8 (Marks: 1) - Please choose one

Depreciation expense does not reflect a cash outflow but still shown as an expense on the income statement to serve as a:

- ? Cash inflow

- ? Cash outflow
- ? Tax Shield
- ? Interest Shield

Question No: 9 (Marks: 1) - Please choose one

Investors demand extra yield on a taxable bond as a compensation for the unfavorable tax treatment, known as:

- ? Taxability premium
- ? Inflation premium
- ? Interest Rate Risk Premium
- ? None of the given options

Question No: 10 (Marks: 1) - Please choose one

If you invest Rs. 150 in a bank on an interest rate of 14%. How much will you have in your account after 5 years ?

- ? Rs. 78
- ? Rs.163
- ? Rs. 207
- ? Rs. 289

Question No: 11 (Marks: 1) - Please choose one

A series of constant, or level, cash flows that occur at the end of each period for some fixed number of periods is called Perpetuity.

- ? True
- ? False

Question No: 12 (Marks: 1) - Please choose one

A dollar in hand today is worth more than a dollar promised at some time in future.

- ? True
- ? False

Question No: 13 (Marks: 1) - Please choose one

Profit Margin is calculated by dividing Net Income over Sales.

? True

? False

Question No: 14 (Marks: 1) - Please choose one

While making Common Size Statements, Balance sheet items are shown as a percentage of total liabilities.

? True

? False

Question No: 15 (Marks: 1) - Please choose one

Present value of all the cash inflows can be calculated by compounding each cash flow separately.

? True

? False

Question No: 16 (Marks: 5)

Cash Flows for a project are given below:

Period	Cash Flows
1	Rs.8,000
2	Rs.12,000
3	Rs.20,000
4	Rs.35,000
5	Rs.40,000

Compute the Future Value of cash flow stream of project at the end of year 5 with a compound annual interest rate of 14%.

Question No: 17 (Marks: 5)

Explain the difference between Simple Interest & Compound Interest with the help of example.

Question No: 18 (Marks: 5)

A company has total annual sales (25% on cash basis) of Rs.3,000,000 and a gross profit margin of 20 %. Its current assets are Rs. 500,000; current liabilities are Rs. 340,000; inventories are Rs. 260,000; and cash is Rs. 60,000.

Calculate:

- (a) How much average inventory should be carried if management wants the inventory turnover to be 5 times? and
 (b) How rapidly (in how many days) must accounts receivable be collected if management wants to have an average of Rs.240,000 invested in receivables? (Assume a 365-day year.)

Question No: 19 (Marks: 10)

ST manufacturing company is offering the following bonds for issue. Calculate the value of each bond.

Bond	Par Value (Rs.)	Coupon Rate (%)	Years to Maturity (Years)	Req. Stated Return (%)
A	1,000	7	12	8
B	500	12	15	10
C	100	16	20	12

Note :

- >> In case of Bond A, interest payments are made annually
- >> In case of Bond B, interest payments are made semi-annually
- >> In case of Bond C, interest payments are made quarterly