

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:

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 )

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



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

Bond	Par Value ( Marks: 10 ) (Rs.)	Coupon Rate (%)	Years to Maturity (Years)	Req. Stated Return (%)
<b>A</b>	1,000	7	12	8
<b>C</b>	100	16	20	12

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

**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