

International Islamic University Chittagong

Program: MBM

Mid-Term Examination, Autumn-2019

Course Title & Code: Managerial Finance (BNKG-4201)

Full Marks: 30

Time: 2 Hours

Answer Any Three (3) from the following Questions:

Question: 01(5+5)

- Define the terms "Finance" and "Managerial Finance". Illustrate the responsibilities of the Financial Staff.
- What is meant by Agency Conflict? Demonstrate the Difference among – Sole Proprietorship, Partnership and Corporation.

Question: 02(4+3+3)

- H.R Trucking has Tk.12.5 million in assets, and its tax rate is 38 percent. The company's basic earning power (BEP) ratio is 15 percent, and its return on assets (ROA) is 5 percent. What is H.R's time-interest earn (TIE) ratio?
- The Petry Company has Tk.1323500 in current assets and Tk.645000 in current liabilities. Its initial inventory level is Tk.384000, and it will raise funds as additional notes payable and use them to increase inventory, how much can Petry's short-term debt (notes payable) increase without pushing its current ratio below 2.5?
- Duval Manufacturing Inc. recently reported the following information: Net income Tk.650000, ROA=8%, Interest Expense = Tk.228000. The Company's Tax rate is 36 percent. What is the company's Basic Earning Power (BEP)?

Question: 03(7+3)

- Stock A and Stock B have the following probability distributions of expected future returns:

Probability	Stock A	Stock B
0.1	(12%)	(33%)
0.2	3.5	0
0.4	13	22
0.2	21	25
0.1	37	40

- Calculate the expected rate of return for stock "B". (for stock "A" which is 12.6%) .
 - Calculate the Standard deviation of expected rate of return for stock 'A' and "B", which stock is more risky for investment?
- i) Suppose Risk free return of a stock is 9%, market return =14% and beta = 1.34, what is the required rate of return of the stock?

ii) Now suppose K_{RF} increases to 10 percent but the slope of the SML remain constant. How would this effect K_M and K_i ?

Question: 04(6+4)

- a) An investment pays you Tk.150 at the end of each of the next 3 years. The investment will then pay you Tk.275 at the end of year 4, Tk.368 at the end of year 5, and Tk.540 at the end of year 6. If the interest rate earned on the investment is 8.76 percent, what is the present value and what is the future value?
- b) You are thinking to buy a car, and Pubali Bank is willing to lend you Tk.2500000 to buy the car, under the terms of the loan, it will be fully amortized over 7 years and the nominal interest rate will be 12.5%, with interest paid annually. What would be the yearly payment of the loan? Draw the amortization Schedule for this loan.