

The Islamia University of Bahawalpur

Department of Political Science

Mid Term Examination

Subject: Financial Management

Class: BS Public Administration

Time: 10 minutes

Marks:10

Name: _____

Roll No. _____

Q.N.01

Mark true or false:

1. There is no difference between finance and accounting. T/F
2. Risk is the chance that actual outcomes may differ from those expected. T/F
3. Calculation of debt ratio only involves balance sheet items. T/F
4. Money market is created by a financial relationship between suppliers and demanders of short term funds. T/F
5. Inventory turnover ratio measures the profitability of a business. T/F
6. An annuity for which the cash flow occurs at the end of each period is called annuity due. T/F
7. Annuity and perpetuity are differentiated on the basis of time period. T/F
8. Debt ratio, debt equity ratio and times-interest-earned ratio are used to measure the solvency position of the business. T/F
9. Solvency ratios measure the speed with which various accounts are converted into sale or cash. T/F
10. The multiplier used to calculate at a specified interest rate the future value of a present amount as of a given period is called present value interest factor. T/F

The Islamia University of Bahawalpur

Department of Political Science

Mid Term Examination

Subject: Financial Management

Class: BS Public Administration

Time: 1 hour 10 mins.

Marks: 20

Q. N.02

2x5=10

Give short answers to the following:

- Difference between finance and accounting
- Public offering
- Annuity
- Secondary market
- Present value interest factor

Q. N.03

2.5x2=5

a) Mr. Usman intends to deposit Rs. 5,000 at the end of every year for 20 years. If rate of interest is 18% per year compounded annually, find its future value?

b) On 1-1-2000, Mr. A intends to receive Rs. 7000 at the end of every year for 5 years, if bank credits his account @ 10% per annum compounded annually, find the level of deposit on 1-1-2000?

Q. N.04

5

Following are the financial statements of ABC Company:

Income Statement for the year ended 31-12-2012:

Sales revenue	Rs. 500000
Less cost of goods sold	300000
Gross profit	200000
Less operating expenses	50000
Operating Profit (EBIT)	150000
Less Interest	30000
EBT	120000
Less tax	20000
Earning after tax	100000

Balance Sheet of ABC Company as on 31-12-2012

ASSETS		LIABILITIES +EQUITY	
Cash	1000	Wages Payable	3000
Marketable securities	1000	Insurance payable	2000
Accounts receivable	2000	Rent payable	3000
Inventories	30000	Notes payable	2000
Prepaid expenses	6000	Current maturities	5000
Total current assets	40000	Total current liabilities	15000
Gross fixed assets	160000	Bonds payable	35000
Less Acc. Dep.	30000	Preferred stock	20000
Net fixed assets	130000	Common stock-10 par	70000
Total	170000	Retained earnings	30000
		Total	170000

Required: Calculate the following ratios from the above given statements:

- Current Ratio
- Debt Ratio
- Inventory Turnover
- Gross Profit Margin
- Average Collection Period