APPEARANCE OF MOBILE PHONE(S) / SMART DEVICE(S) SUBJECT TO CONSIDERED AS AN ACT OF CHEATING

College Name: ____

Student Name: ______________________ Seat No: ______________________________

Copy No: ________________________

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION; AFFILIATED COLLEGE JUNE 2015
FINANCIAL MANAGEMENT; BA (H)–551 (PART B)
BBA – V

Date: June 25, 2015 **Max Time: 90 Mins**
Max Marks: 30

INSTRUCTIONS:

1. **Attempt any 4 questions. Do not write anything on the question paper.**
2. **Mobile phones or any other communicating device will not be allowed in the examination room. Students will have to remove the batteries of these devices before entering the examination hall.**

Q1 Your company is considering two mutually exclusive projects, X and Y, whose costs and cash flows are shown below:

Year	Project X Cash Flow	Project Y Cash Flow
0	-Rs2,000	-Rs2,000
1	200	2,000
2	600	200
3	800	100
4	1,400	75

The projects are equally risky, and the firm's cost of capital is 12 percent. You must make a recommendation, and you must base it on the modified IRR (MIRR). What is the MIRR of the better project?

Q2 Byco Piston Corp. has annual sales of Rs50,735,000 and maintains an average inventory level of Rs15,012,000. The average accounts receivable balance outstanding is Rs10,008,000. The company makes all purchases on credit and has always paid on the 30th day. The company is now going to take full advantage of trade credit and pay its suppliers on the 40th day. If sales can be maintained at existing levels but inventory can be lowered by Rs1,946,000 and accounts receivable lowered by Rs1,946,000, what will be the net change in the cash conversion cycle? (Assume there are 365 days in the year.)

Q3 You are an investor in common stock and currently hold a well–diversified portfolio which has an expected return of 12 percent with a beta of 1.2. You plan to buy 100 shares of ATTOCK at Rs10 a share. ATTOCK has an expected return of 20 percent with a beta of 2.0. The total value of your current portfolio is Rs9,000. What will be the expected return and beta of the portfolio after the purchase of the new stock?

Q4 A company has determined that its optimal capital structure consists of 40 percent debt and 60 percent equity. Given the following information, calculate the firm's weighted average cost of capital.

rd = 6%
Tax rate = 40%
P0 = Rs25
Growth = 0%
D0 = Rs2.00

Q5 Pasha Corporation is considering a five–year, Rs6,000,000 bank loan to finance service equipment. The loan has an interest rate of 10 percent and is amortized over five years with end–of–year payments. Pasha can also lease the equipment for an end–of–year payment of Rs1,790,000. What is the difference in the actual out–of–pocket cash flows between the two payments, that is, by how much (in thousands of dollars) does one payment exceed the other?

END OF SUBJECTIVE PAPER