

College Name: \_\_\_\_\_

Student Name: \_\_\_\_\_ Seat No: \_\_\_\_\_

Copy No: \_\_\_\_\_

**KARACHI UNIVERSITY BUSINESS SCHOOL  
UNIVERSITY OF KARACHI  
FINAL EXAMINATION JUNE 2016; AFFILIATED COLLEGES  
INTRODUCTION TO BUSINESS FINANCE BA (M) – 621  
MBA – III**

**Date: July 18, 2016**

**Max Time: 2 Hrs**

**Max Marks: 30**

**INSTRUCTIONS:**

- 1. Attempt any 4 questions, ALL carry equal marks.**
- 2. Do not write anything on the question paper.**
- 3. 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 a) The 2013 balance sheet of ABC Inc., showed current assets of \$2,100 and current liabilities of \$1,380.  
The 2014 balance sheet showed current assets of \$2,250 and current liabilities of \$1,710.  
What was the company's 2009 change in net working capital, or NWC?
- a) Ahmed and Sons 2013 balance sheet showed net fixed assets of \$3.4 million, and the 2014 balance sheet showed net fixed assets of \$4.2 million. The company's 2014 income statement showed a depreciation expense of \$385,000. What was net capital spending for 2014?
- Q2 a) The Red Carpet Corporation has ending inventory of \$407,534, and cost of goods sold for the year just ended was \$4,105,612.  
What is the inventory turnover?  
The days' sales in inventory?  
How long on average did a unit of inventory sit on the shelf before it was sold?
- b) GBD, Inc., has net working capital of \$1,370, current liabilities of \$3,720, and inventory of \$1,950.  
What is the current ratio?  
What is the quick ratio?
- c) Sadiq Corp. has current liabilities of \$365,000, a quick ratio of 0.85, inventory turnover of 5.8, and a current ratio of 1.4.  
What is the cost of goods sold for the company?
- Q3 a) Assume the total cost of a college education will be \$290,000 when Akber enters college in 18 years. His father presently has \$55,000 to invest.  
What annual rate of interest must he earn on investment to cover the cost of his child's college education?
- b) ABC Bank pays 8 percent simple interest on its savings account balances, whereas XYZ Bank pays 8 percent interest compounded annually. If you made a \$5,000 deposit in each bank, how much more money would you earn from your XYZ Bank account at the end of 10 years?
- Q4 a) An investment offers \$5,300 per year for 15 years, with the first payment occurring one year from now. If the required return is 7 percent, what is the value of the investment? What would the value be if the payments occurred for 40 years?
- b) Your company will generate \$73,000 in annual revenue each year for the next eight years from a new information database.  
If the appropriate interest rate is 8.5 percent, what is the present value of the savings?
- c) If you deposit \$4,000 at the end of each of the next 20 years into an account paying 11.2 percent interest, how much money will you have in the account in 20 years?  
How much will you have if you make deposits for 40 years?
- Q5 a) Ahmed and Sons last year reported \$10 million and inventory turnover ratio of 2. The company is now adopting a new inventory system. If the new system is able to reduce the firm's inventory level and increase the firm's inventory turnover ratio to 5, while maintaining the same level of sales, how much cash will be freed up?
- b) What is the nominal effective cost of trade credit under the credit terms of 3/15, net 30?

**END OF SUBJECTIVE PAPER**