

College Name: _____

Seat No: _____ Student's Name: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION DECEMBER 2017; AFFILIATED COLLEGES
INTRODUCTION TO BUSINESS FINANCE; BA (H)-412
BBA – IV

Date: December 28, 2017

Max Time: 1.5 Hrs
Max Marks: 30

INSTRUCTIONS:

- 1. Attempt any 3 questions. Do not write anything on the question paper. EXCEPT the initials mentioned above.**
- 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 The Company has a target capital structure of 40% debt and 60% common equity, with no preferred stock. It's before tax cost of debt is 12% and its marginal tax rate is 40%. The current stock price is Rs.22.50. The last dividend was Rs.2.00 and it is expected to grow at 7% constant rate. What is its cost of common equity and it's WACC?

Q2 a) Primrose corporation has Rs.15 million of sales, Rs.2 million of inventories, Rs.3 million of receivables and Rs.1 million of payables. Its cost of goods sold is 80% of sales and it finances working capital with bank loan at interest rate of 8%. What is the cash conversion cycle?

b) From the given information, calculate the value of sales. Current ratio 2, Quick ratio 1.4, Current liabilities Rs.100, 000, Inventory turnover 6x and Gross profit margin 0.2

Q3 Find the Expected return, standard deviation and coefficient of variation from the following data.

Probability	20%	30%	30%	20%
Rate of return	-24%	0%	5%	25%

Q.4 The Company is considering purchase of machinery and its after-tax cash flows are given below:

Year	0	1	2	3	4
Cash flows	\$ (15,800)	6000	5000	4000	2000

Required:

- If the cost of capital is 10% what is the payback period, discounted payback period, NPV, IRR and MIRR.

END OF SUBJECTIVE PAPER