ASSIGNMENT. 2

Name: HAZRAT BILAL

ID : 14904

MBA-90

FINANCIAL MANAGEMENT.

Case Study . 1

a- Shareholder's wealth maximization should ~~bo~~ be set as a primary goal of the organization, considering timing, cash flows and risk.

b- There is a possibility of existance of Agency problem. Although compensation of management is connected to profits, it is not directly related to share price

c- There arises question of ethics about firm's aproach to pollution control. It is unclear whether their acts are intentional or accidential, it is clear that they are voilating the law, But, clearly, Sports Products has ~~not~~ broken laws and ~~east~~ established poor standards of conduct and moral judgment

d-

Tie management, and possibly employee, compensating to share price or a performance-based measure and make sure that all involvered own stock and have a stake in the firm

CASE = 2.

(a)

1- Ratio's Calculation 2003

a- Current Ratio

$$= \frac{\text{Current Assets}}{\text{Current Liabilitie}}$$

$$= \frac{1531181}{616,000} = 2.5$$

b- Quick Ratio

$$= \frac{\text{Current Asset} - \text{Inventory}}{\text{Current Liability}}$$

$$= \frac{1531181 - 700625}{616,000}$$

$$= 1.3$$

c- Inventory turnover

$$= \frac{\text{Cost of Goods Sold}}{\text{Inventory}}$$

$$= \frac{3704000}{700625}$$

$$= 5.3$$

d- Average Collection Period

$$= \frac{\text{Account Receivable}}{\text{Annual sale / days in year}}$$

$$= \frac{805556}{360}$$

$$= 57 \text{ days}$$

(e) Total Asset Turn over

$$= \frac{\text{Sales}}{\text{Total Assets}}$$

$$= \frac{5075000}{3125000}$$

$$= 1.6$$

(f) Debt Ratio

$$= \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

$$= \frac{1781250}{3125000}$$

$$= 57\%$$

2-

LIQUIDITY: The firm has sufficient current Assets to cover current liabilities, with current ratio of 2.5

ACTIVITY:

Inventory Turnover is Stable but almost places at half of industry average, indicate that the firm is holding Too much inventory

Debt:

Debt ratio of 57% is very much higher than the industry average, places the company at high risk. Mostly company with heavy Capital investment and higher operating risk try to minimize financial risk

PROFITABILITY:

Gross Profit Margin is stable and Quite favorable Compared to the industry average.

MARKET:

The market price of firm common stock shows weakness relative to both earning and Book value.

CASE STUDY - 3

a. Cash Inflows,

Accumulation Period

12 end of year deposits

Earns interest at 9%.

Cash Out flow

20 end of year payment of 42,000

Balance earns interest at 12%

b. Total Amount To Accumulate by end of year 12.

$PV_n = PMT \times (PVIFA_{i,n})$

$PV_{20} = 42000 \times (7.469)$

$PV_{20} =$ \$ 313,698

c. End of year deposit, 9% interest

PMT = 313,698 ÷ FVIFA$_{i,n}$)

PMT = 313,698 ÷ 20.141

PMT = \$15575.10

d- End - of - year Deposit, 10% interest

PMT = 313,698 ÷ (FVIFA$_{10\%, n \text{ year}}$)

PMT = 313,698 ÷ 21.384

PMT = 14669.75