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Q 1 Part (1)

Answer

Time value of Money:-

• That is, the earlier a sum of money is received, the more it is worth, because over time money can earn more money or interest.

• There are three reasons why a dollar tomorrow is worth less than a dollar today.

* Individuals prefer present consumption to future consumption. To induce people to give up present consumption you have to offer them more in the future.

* When there is monetary inflation the value of currency decrease over time. The greater the inflation the greater the difference in value between a dollar today and a dollar tomorrow.

Signature

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$P = 2$

If there is any uncertainty (risk) associated with the cash flow in the future, the less that cash flow will be valued.

Q NO 1 (Part) b

Sol:-

$$F = P(1 + r \cdot t)$$

Putting the value

$$F = 1200 \left(1 + 0.10 \times \frac{9}{12} \right)$$

$$P = 1200$$

$$r = 0.10$$

$$t = \frac{9 \text{ months}}{12}$$

$$= \$1290 \text{ Ans}$$

Q No 4 Part (a)

Ans

Ratio:-

A Ratio is a comparison between two quantities. We use ratio every day. One pepsi costs 50 cents describe a ratio. On a map, the legend might tell us one inch is equivalent to 50 miles or we might notice one hand has five fingers. Those are all example of comparison that ratio.

A ratio can be written three different ways. If we wanted to show the comparison of one inch representing 50 miles on a map we would write that as.

Example:-

1 to 50 or

using a colon 1:50 or

using a fraction $\frac{1}{50}$.

Proportion:-

A proportion is a statement of equality between 2 ratios.

Example:-

Looking at a proportion like $\frac{1}{2} = \frac{3}{6}$, we might see some relationships that exist if we take time and manipulate the numbers.

Q NO 4 Part (b)

Ans

Sol:-

The first comparison given is boys to girls. knowing this we would like to set up a proportion that looks like this.

$\frac{\text{boys}}{\text{girls}} = \frac{\text{boys}}{\text{girls}}$ just as we have done before.

Remembering what we did just, see there was a reason for looking for more patterns. we noticed if we have a proportion like $\frac{b}{g} = \frac{b}{g}$. then $\frac{b}{b+g} = \frac{b}{b+g}$ would be like this.

we can see "b+g" would be like total of the boys and girls. fitting in this proportion like this.

$$\frac{b}{g} = \frac{b}{g}$$

$$\frac{3}{3+7} = \frac{b}{440}$$

$$\frac{3}{10} = \frac{b}{440}$$

$$10b = 1320$$

$$b = 132$$

Ans.

There would be 132 boys, to find the number of a girls we could subtract 132 from 440.

Q 5 Part (a)

Ans

Capital Budgeting:

Capital budgeting refers to the process we use to make decision concerning investments in the long-term assets of the firm. The general idea is that the capital or long-term funds, raised by the firms are used to invest in assets that will enable the firm to generate revenues several years into the future.

Importance:

Capital budgeting decision impact the firm for several years, they must be carefully planned. A bad decision can have a significant effect on the firm's future operations. In addition, the time of the decision is important. Many capital budgeting

projects take years to implement
 If firm do not plan accordingly
 they might find that the timing
 of the capital budgeting decision
 is too late. Thus costly with
 respect to competition.

Ans 5 part (b)

Sol.:

Let he buy a car at RS 1000000

0	2,50,000	250,000	250,000	250,000	2,50,000
1	1	2	3	4	5

-10,00,000

In this case the cash flows are
 uniform so we can simply calculate
 the PBP.

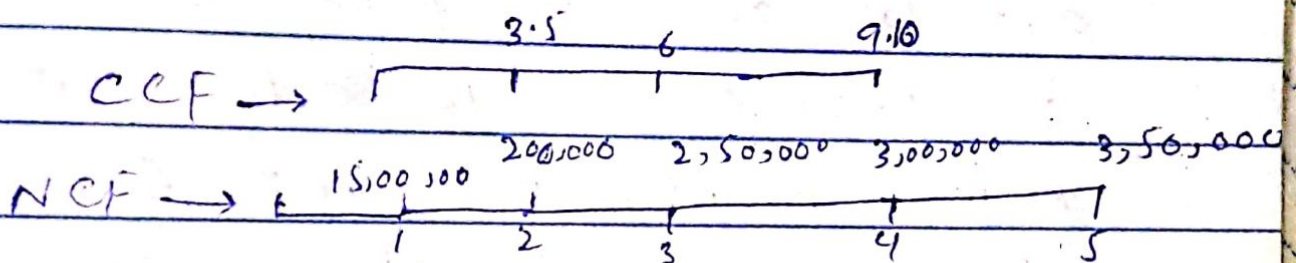
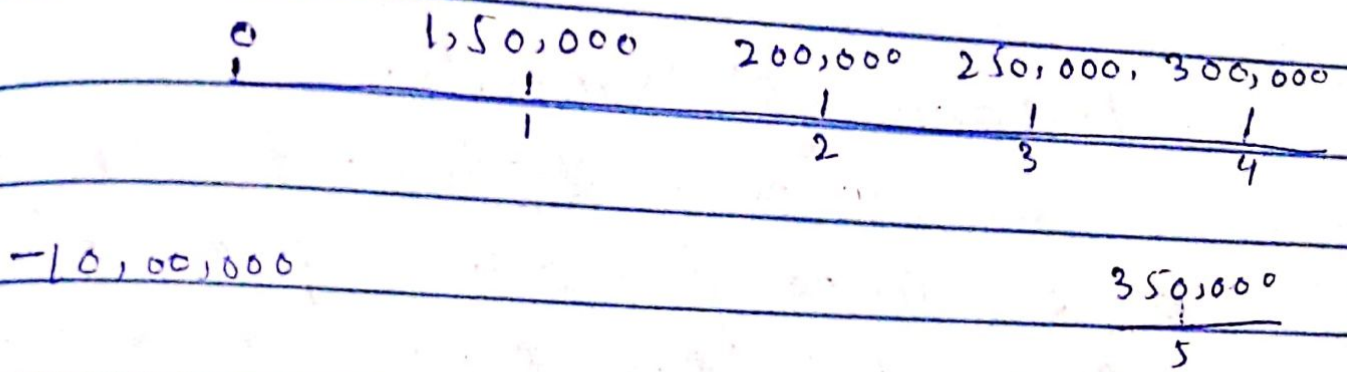
$$\text{Payback} = \frac{10,00,000}{2,50,000}$$

$$= 4 \text{ years.}$$

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$P = 8$

In case CF are not uniform then i.e. -



$$\text{Payback} = 4 + 0.29 \text{ yrs.} \\ = 4.29 \text{ yrs.}$$

$$3.5 \downarrow \rightarrow 1 \\ \uparrow \rightarrow \frac{1}{3.5} \downarrow \\ = 0.29 \text{ yrs.}$$

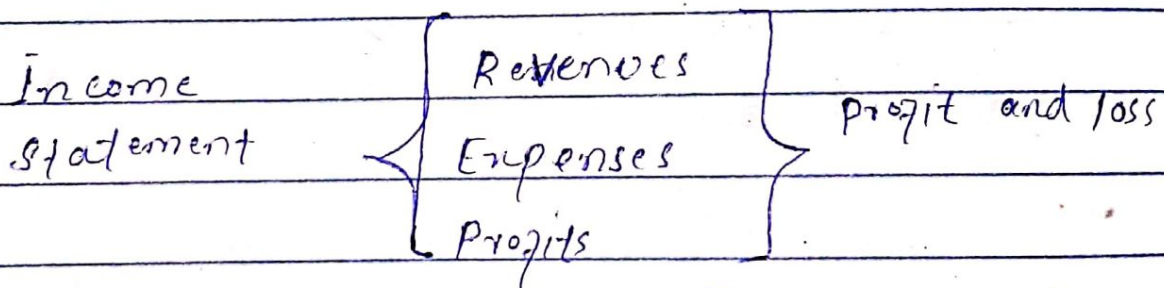
Q NO 3

Ans

Income statements:-

The income statements is one of a company's core financial statements that shows their profit and loss over a period of time.

The profit or loss is determined by taking all revenues and subtracting all expenses from both operating and non-operating activities.



Components of an Income Statements:

The income statements may have minor variations between different companies as expenses and income will be dependent on the the type of operation or business conducted.

The most common income statements items include.

Sales Revenue is the company's revenue from sales or services displayed at the very top of the statement. This value will be the gross of the costs associated with creating the goods sold or in providing services.

* Gross profit is calculated by subtracting cost and Goods sold (or cost of sale) from sales revenue.

* EBIT while not present in all income statement stands for Earning before interest, Tax. It is calculated by subtracting SG&A expenses from gross profit.

* Income Taxes refers to the relevant taxes charged on pre-tax income. The total tax expense can consist of both current taxes and future taxes.

* Net income is calculated by deducting income taxes from pre-tax income.