S: Business Math

Page No: 1

Name:- Zeeshan Haider

ID #:- 13331

BID:-

QNo:- 1:- Discuss The Importance of keeping Record Through financial statement for any business.

Ans Financial Statement:- The Importance to keeping Record Through financial statement for any business. most off. financial Analysis take it's starting from it's basic point, in financial statement of the firm and it is crucial that the Analyst have strong fundamental understanding for There basic Three financial statement.

(1) The balance sheet (2) The Income statement (3) The statement of cash flow's.

(1) The balance sheet:- The balance sheet Describe the Assets, liabilities, and equity of the firm at specific point.

(2) The Income statement:- The Income statement summarize the Result of the firm's operation's over a period of time.

(3) The statement of cash flow:- The statement of cash flow outlines the sources of the firm's cash flow's and show where the ~~~~ cash ~~~~ outflow went.

S: Business Math
Page No:- 02

Name:- Zeeshan-Haider
ID No:- 13331
BID:-

Q No:- 01 => (B)

Q:- Prepare the balance sheet from the Data used in the accounting cycle for Paul's Guitar Shop.

=> Balance Sheet.

30, 06, 2020

=> Paul's Guitar Shop.

Asset's.	Amount	Liabilities	Amount.
Cash	32,800	Account Payable	49,000
Account's Receivable	300	Unearned Revenue	1000
Inventory	39,800	Accrued Expenses	450
Prepaid Rent	1,000	Total current Liabilities	50,450
		Long Term Liabilities	99,500
Total current Asset's	73,900	Total Liabilities	149,950
Long Term Asset's		Owner Equity	
Lesehold Improvements	100,000	Retained Earning	11,950
Accumulated Depreciation	(2,000)	Common stock	10,000
Total Long Term Asset's	98,000	Total owner Equity	21,950
		Total Liabilities &	
Total Asset's	171,900	owner Equity	171,900

Now Total Asset's & Total liabilities owner Equity are same. (171,900)

Name: Zeeshan Haider
ID No:- 13331
BID:-

QNo:02:- In 2003, XYZ, Inc. (a hardware retail company) sold 6,000 unit of it's product at an average price of $400 per unit. operating expense Includes 50% selling and 50% administrative expenses for XYZ, inc. In 2003 were $400,000. XYZ had $2,000,000 In debt outstanding throughout all of 2003; This debt carried an average Interest rate of percent. finally, XYZ tax rate was 40 percent. XYZ's fiscal year run from January 1 through December 31. Given this Information construct XYZ's 2003 Income statement.

Ans:- Sales (all on credit) 40,0000
cost of good sold - 20,0000
= 20,0000.

Gross profit = 40,0000.
operating expenses.
selling expenses = 20,0000
Administrative expenses = 20,0000.
40000

P-T-O => Next Page: #

S. Business math

Name :- Zeeshan-Haider

Page No :- $\boxed{04}$

ID No :- 13331

BID.

Q No :- 02

Continue :-

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operating income = 1600000

Interest Expense = 200,000

Income before taxes = 14,00,000

Income tax expenses = 560000

Net income After tax = 420000

Name:- Zeeshan. Haider

ID No:- 13331

BID:-

Q.No:-3:- from the balance Sheet Constructed In Question 1 calculate the following Ratio for Paul's Guitar shop.

(A) Current Ratio.

(B) Liquidity Ratio.

Sol:- (A) Current Ratio:-

=> Current Asset's

- Cash = 32,800.

Account's Receivable = 300.

Inventory = 39,800.

Prepaid Rent = 1,000.

Total current Asset's = 73,900.

Now we have Current liabilties.

Current liabilities:-

Account payable = 49,000.

Accurued Expenses = 450.

Unearned Revenue = 1000.

Total current liabilities = 50450

P-T-O → Page No:-

Name:- Zeeshan Haider

ID No:- 13331

BID.

Now Current Ratio = $\frac{\text{Current Asset's}}{\text{Current liabilities.}}$

Current Asset's = 73900

Current liabilities = 50450

$= \frac{73900}{50450}$

= 1.46

Current Ratio = $\boxed{1.46}$

(B) Liquidity Ratio:-

Quick Ratio = $\frac{\text{Total current Asset's} - \text{Inventory}}{\text{current liabilities.}}$

$= \frac{73900 - 39800}{50450}$

Quick Ratio = $\frac{34100}{50450}$

$\boxed{= 0.67\%}$

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S: Business maths.

Name: Zeeshan. Haider

Page No: $\boxed{07}$

ID No:- 13331

BID:-

Q No 3:- From the data given In Question (2) calculate the following ratio for XYZ, inc.

(A) Gross Profit Ratio.

(B) operating Profit Ratio.

(A) Gross Profit Ratio =

$$= \frac{\text{Gross Profit} \times 100}{\text{Net sales}}$$

Gross profit = sales - cost of Good sold

$= 400,000 - 200,000$

$= 200,000$

Net sale = Gross sales - sales Return (or) Return Inventory

$= 400000 - 0$

$= 400,000$

$$\text{Gross profit Ratio} = \frac{\text{Gross Profit} \times 100}{\text{Net sales}}$$

$$= \frac{200,000 \times 100}{400,000}$$

$= 0.5 \times 100$

$= \boxed{50}$ Ans

P-T-O:- Page No:-

Name:- Zeeshan-Haider
ID No:- 13331
BID.

Q No 3:- (B) Operating Profit Ratio:-

- Operating Profit Ratio = $\frac{\text{Operating Cost}}{\text{Net sales}} \times 100$

Operating cost = cost of good sold + =>
Administrative expenses + Selling and Distribution Expenses.

Net sales's = sales - sales's Return.

Operating Cost = 200,000 + 200,000 + 200,000
= 600,000

Net sales's = 400,000 - 0
= 400,000.

Operating Profit Ratio = $\frac{\text{operating cost}}{\text{Net sales}} \times 100$

$= \frac{600,000}{400,000} \times 100$

$= 1.5 \times 100$

$\boxed{= 150}$ Ans

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Name:- Zeeshan Haider
ID No:- 13331
BID:-

QNo:-04 (A):- what is capital Budgeting Discuss it's Importante?

Ans capital Budgeting:- capital budgeting is the refer process by which we can use to make the decisions about concerning investement. In Long term Asset of the firm As we have the genral idea about capital budgeting or Long term fund which Raised by the firm and used to invest in Asset that will enable firm and generate revenues for several year into the futures In capital ~~budge~~ budgeting you must have carefull planned. if in case bad decision can have significat effect on firm for future operation that's called capital budgeting.

Importance of capital Budgeting:- capital budgeting decision Impact the firm for serval time or year In This stage the Planned must be carefully. In case of bad-decision can have significant effect on the firm-future operation. In starting are In addition

P.t.o -> Page No:- =>

S! Business math
Page No!- 10

Name:- Zeeshan. Haider
ID# 13331.
BID:-

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Importance of capital Budgeting:-

The timing of decision is most Important many capital budgeting project may take serval year. In This way if the Planning of firm not plan according the timing may face of capital budgeting too late The decision will be on time. Thus costly with respect to competition

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S: Business math

Page No:- 11

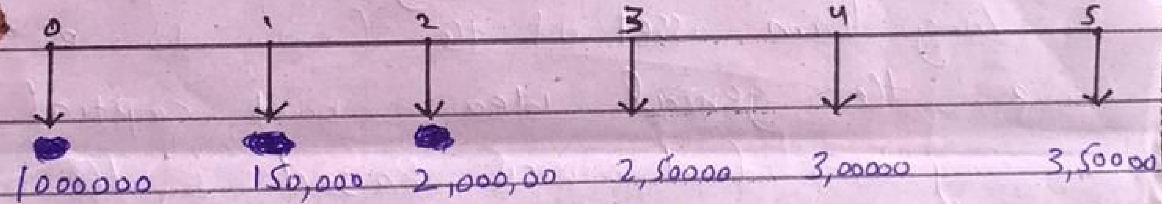
Name:- Zeeshan. Haider

ID No:- 13331

BID:-

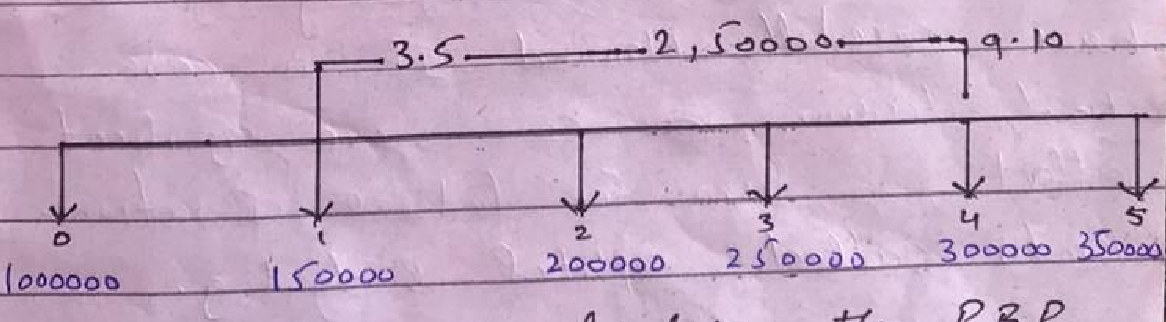
QNo 4:- (B). Mr XYZ own's a car Rental company Planning to start a new route XYZ Think The Project having Intial cost of RS. 1000000 should have Payback period of 5 year following are the projected net cash flow.

Total Intinal cost. 1000000.



Now we Apply formula.

NCF CCF.



Now we can calculate the PBP.

$$\text{Pay Back Period} = \frac{1000000}{250000} = 4 \text{ Years.}$$

Pay Back = 4 + 0.29 = 4.29 Year's.

S: Business math

Page No:- 12

Name:- Zeeshan Haider

ID No:- 13331

BID:-

Q No:- 5:- with the help of Data given given in question 4. Find out the Net present value of the Project. Additional required Data.

⇒ Terminal cash flow is RS-600000.

Discounted Rate is 12 %

400000 Terminal
+ 200000 operating

Sol:

0 1 2 3 4 5

1,000,000 → 15,0000 → 200,000 → 300,000 → 25,0000 → 600000

Discount Rate of Return. 12 %

0	1	2	3	4	5
(1000000)	150000	200000	300000	250000	600000
	$\div (1.12)$	$\div (1.12)^2$	$\div (1.12)^3$	$\div (1.12)^4$	$\div (1.12)^5$
	133929	159439	213534	158878	340456

Now we can Apply formula for net present value.

$$NPV = CF_0 + \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \frac{CF_3}{(1+r)^3} + \frac{CF_4}{(1+r)^4} + \frac{CF_5}{(1+r)^5}$$

P — T — O ⇒

Page No:-

S. Business Math

Page No: - 13

Name: Zeeshan. Haider

ID# 13331

BID :-

$$NPV = (1000000) + \frac{150000}{(1.12)} + \frac{200000}{(1.2)^2} + \frac{300000}{(1.12)^3} + \frac{250000}{(1.2)^4} + \frac{600000}{(1.12)^5}$$

$$= (1000000) + 133929 + 159439 + 213534 + 158879 + 340456$$

$$= (1000000) + 1006237$$

$$NPV = +6237$$

Net Present value + Rate of Return.

Amount = 6237