Ibrahim Sheikh Muhammad

16543

Question 1st:

Solution:

1. **Acid-Test Ratio:**

Current Assets − Inventory

 Current Liabilities

 $\frac{40,000+500,000+300,000-300,000}{250,000+220,000+150,000}=$

 $\frac{840,000-300,000}{620,000}=$

 $\frac{540000}{620000}=0.87$

1. **The Inventory Turnover Ratio:**

Cost of Goods sold

 Average Inventories

 $\frac{4,000,000}{300,000}=13.33$

1. **Total Debt to Equity Ratio:**

Total Debt

Total Equity

$\frac{250000+22000+150000+400000}{200000+600000}=$

 $\frac{1020000}{800000}=1.275$

1. **Long Term Debt to Total Capitalization Ratio:**

Long Term Debt

 Total Capitalization

$\frac{2000}{2000+3440}=\frac{2000}{5440}=0.36$

1. **Net Profit Margin:**

Net Profit

 Net Sales

$\frac{400000}{5000000}=0.08$

1. **Total Assets Turnover:**

Net Sales

 Total Assets

$\frac{5000000}{40000+500000+300000+600000}=$

 $\frac{5000000}{1440000}=3.472$

Question 2nd:

Solution:

1. Coupon Rate = 10%

n = 5

MV = 1000

kd = 15%

I = 100

 = I (PVIFAkd,n) + MV(PVIFkd,n)

 = 100 (3.3522) + 1000 (0.4972)

 = 335.22 + 497.2

 = 832.42

1. I = 80

kd = 12%

n = 5

= I (PVIFAkd,n) + MV(PVIFkd,n)

= 80 (3.6048) + 1000(0.5674)

= 288.384 + 567.4

= 855.784

**Q3:-**

1. **Liquidation Value versus Going-Concern Value**

**Liquidation value** is the amount of money that could be realized if an asset or a group of

assets (e.g., a firm) is sold separately from its operating organization.

**going-concern value** of a firm, which is the amount the firm could be sold for

as a continuing operating business.

1. **Book Value versus Market Value**

The **book value** of an *asset* is the accounting value of the asset – the asset’s cost minus its

accumulated depreciation.

the **market value** of an asset is simply the market price at which the asset trades.

1. **Market Value versus Intrinsic Value**

Based on our general definition for market value, the market value of a security is the market

price of the security.

**intrinsic value** of a security, on the other hand, is what the price of a security should

be if properly priced based on all factors bearing on valuation.

**Question 4th:**

Solution:

1. Solution:

**Current Ratio:**

Current Assets

Current Liabilities

 $\frac{1000000}{700000}=1.4285$

1. Truck ia bong term asset, cash will decrease by 200000, no effect on current liabilities because paid full cash

$\frac{1000000-200000}{700000}=$

$\frac{800000}{700000}=1.1428$

1. Borrowing means increasing liabilities;

$=\frac{1000000+50000}{700000+50000}$

$=\frac{1050000}{750000}$

$=1.4$

1. Solution

dp = 10%

 kp = 12% = 0.12

 v = $\frac{dp}{kp}$

 $=\frac{10}{0.12}$

 = 83.33

kp = 14%

= 0.14

= $\frac{10}{0.14}$

= 71.42