



**Eastern University, Sri Lanka**  
**Faculty of Commerce and Management**  
**Final Year Repeat Examination in Business Administration/Commerce**  
**(Specialization in Enterprise Development) - 2008/2009(Feb'2010)**  
**MGT 4144 - Financial Management**

**Answer All Questions**

**Time Allowed: 03 Hours**

**Non Programmable Calculators are permitted. Use tables attached.**

M. The comparative financial statements of AMC plc for financial year ending 31<sup>st</sup> December 2009 are given below:

**Balance sheet as at 31<sup>st</sup> of December 2009**

Liabilities	Rs.
<b>Equity and Liabilities</b>	
Share Capital and Reserves	200,000
10% Long term Mortgage Loan	100,000
Short term Loans from bank	50,000
Creditors	50,000
	<b>400,000</b>
<b>Assets</b>	
Land and Buildings, Furniture etc.(net)	200,000
Stocks	120,000
Debtors	50,000
Cash & Bank	30,000
	<b>400,000</b>

**The Income Statement for the year ended 31<sup>st</sup> of December 2009**

	Rs.
Sales	500,000
Cost of sales	300,000
Gross profit	200,000
Operating expenses	110,000
Profit before interest and taxes	90,000
Interest on long-term loan	10,000
Profit before tax	80,000
Taxes	30,000
Profit after tax	50,000

**Required:**

Comment on the financial performance of the company for the year ending 31<sup>st</sup> of December 2009 using relevant financial ratios.

**(25 Marks)**

02. (a) Find the present value of Rs.10,000 receivable after 5 years if the rate of discount is 10%
- (b) A finance company advertises that it will pay 10% interest annually for a 5 year fixed deposit if Rs.100,000 is deposited now. Find the value of the deposit at the end of 5<sup>th</sup> year.
- (c) A Rs.1000 par value bond bearing a coupon rate of 12% will mature after 5 years. What is the value of the bond today, if the discount rate is 15%?

(25 Marks)

03. The following data are extracted from the financial statements of a company:

Sales (100,000 units @ Rs.10)	10,00,000
Variable Costs	5,00,000
Contribution	5,00,000
Fixed Cost	3,00,000
Net Profit	2,00,000

Required:

- (a) Calculate the following:

- (i) P/V ratio
- (ii) Break Even Point
- (iii) Margin of safety

- (b) If the price increases by 20 percent, what shall be the new P/V ratio and Break Even Point?

- (c) If the price increase by 20 percent is accompanied by a reduction in volume by 10 percent, what shall be the effect on the Break Even Point and Profit?

(25 Marks)

A firm is considering two mutually exclusive investments, Project A and Project B. The expected cash flows of these projects are as follows:

year	Cash flows (Rs.000)	
	Project A	Project B
0	(1000)	(1000)
1	300	1000
2	400	500
3	900	100

Cost of capital is 10%

**Required:**

- (i) Calculate the NPV for each of the projects.
- (ii) What is the IRR of each project?
- (iii) Which project would you choose?

**(25 Marks)**





Present Value and Future Value Tables

Table A-3 Present Value Interest Factors for One Dollar Discounted at *k* Percent for *n* Periods:  $PVIF_{k,n} = 1 / (1 + k)^n$

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	
1	0.9901	0.9804	0.9709	0.9616	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.9009	0.8929	0.8850	0.8772	0.8696	0.8621	0.8548	0.8476	0.8405	0.8335	0.8266
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264	0.8114	0.7972	0.7831	0.7695	0.7561	0.7432	0.7308	0.7189	0.7074	0.6961	0.6850
3	0.9708	0.9423	0.9151	0.8890	0.8638	0.8395	0.8163	0.7938	0.7722	0.7513	0.7312	0.7118	0.6931	0.6750	0.6575	0.6407	0.6245	0.6088	0.5936	0.5788	0.5644
4	0.9616	0.9238	0.8885	0.8546	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6587	0.6355	0.6133	0.5921	0.5718	0.5523	0.5335	0.5152	0.4974	0.4801	0.4633
5	0.9528	0.9057	0.8626	0.8210	0.7805	0.7413	0.7034	0.6668	0.6314	0.5971	0.5639	0.5318	0.5007	0.4705	0.4412	0.4128	0.3853	0.3587	0.3329	0.3078	0.2833
6	0.9442	0.8880	0.8375	0.7893	0.7426	0.7000	0.6586	0.6184	0.5793	0.5413	0.5044	0.4685	0.4336	0.3996	0.3664	0.3340	0.3024	0.2715	0.2413	0.2118	0.1830
7	0.9357	0.8708	0.8131	0.7589	0.7107	0.6651	0.6210	0.5784	0.5372	0.4973	0.4586	0.4211	0.3846	0.3490	0.3142	0.2801	0.2466	0.2137	0.1813	0.1494	0.1280
8	0.9273	0.8536	0.7884	0.7307	0.6786	0.6291	0.5822	0.5368	0.4928	0.4501	0.4086	0.3682	0.3288	0.2903	0.2527	0.2159	0.1798	0.1444	0.1096	0.0754	0.0417
9	0.9191	0.8368	0.7644	0.7037	0.6484	0.5955	0.5443	0.4946	0.4463	0.3994	0.3538	0.3093	0.2658	0.2233	0.1817	0.1409	0.1008	0.0613	0.0224	0.0000	0.0000
10	0.9111	0.8203	0.7411	0.6768	0.6205	0.5659	0.5129	0.4614	0.4113	0.3624	0.3146	0.2680	0.2226	0.1783	0.1351	0.0929	0.0516	0.0112	0.0000	0.0000	0.0000
11	0.9033	0.8043	0.7204	0.6516	0.5934	0.5377	0.4834	0.4304	0.3786	0.3279	0.2783	0.2297	0.1821	0.1355	0.0898	0.0450	0.0010	0.0000	0.0000	0.0000	0.0000
12	0.8957	0.7880	0.7000	0.6270	0.5658	0.5087	0.4537	0.4006	0.3484	0.2971	0.2467	0.1972	0.1486	0.1009	0.0540	0.0080	0.0000	0.0000	0.0000	0.0000	0.0000
13	0.8883	0.7728	0.6800	0.6030	0.5408	0.4827	0.4276	0.3744	0.3221	0.2707	0.2193	0.1688	0.1191	0.0701	0.0220	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
14	0.8811	0.7580	0.6610	0.5790	0.5148	0.4557	0.3995	0.3452	0.2928	0.2413	0.1907	0.1400	0.0901	0.0410	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	0.8741	0.7430	0.6420	0.5550	0.4888	0.4287	0.3714	0.3160	0.2625	0.2100	0.1584	0.1077	0.0578	0.0087	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
16	0.8673	0.7290	0.6240	0.5330	0.4648	0.4037	0.3464	0.2900	0.2355	0.1829	0.1312	0.0804	0.0305	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
17	0.8607	0.7150	0.6070	0.5120	0.4418	0.3797	0.3214	0.2640	0.2085	0.1549	0.1032	0.0524	0.0025	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
18	0.8543	0.7010	0.5900	0.4910	0.4188	0.3557	0.2974	0.2390	0.1825	0.1279	0.0752	0.0244	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
19	0.8481	0.6870	0.5730	0.4700	0.3958	0.3317	0.2724	0.2130	0.1555	0.1009	0.0482	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.8421	0.6730	0.5560	0.4490	0.3728	0.3077	0.2474	0.1870	0.1295	0.0749	0.0222	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
21	0.8362	0.6650	0.5450	0.4340	0.3558	0.2897	0.2284	0.1670	0.1095	0.0549	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
22	0.8305	0.6580	0.5350	0.4190	0.3388	0.2717	0.2094	0.1470	0.0895	0.0349	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
23	0.8250	0.6520	0.5260	0.4050	0.3228	0.2547	0.1914	0.1290	0.0715	0.0169	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
24	0.8197	0.6460	0.5170	0.3910	0.3068	0.2367	0.1734	0.1110	0.0535	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
25	0.8145	0.6400	0.5080	0.3770	0.2898	0.2177	0.1544	0.0920	0.0345	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
26	0.8094	0.6350	0.4990	0.3630	0.2728	0.2007	0.1374	0.0750	0.0175	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
27	0.8045	0.6300	0.4890	0.3490	0.2558	0.1827	0.1194	0.0570	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
28	0.7997	0.6250	0.4800	0.3350	0.2388	0.1647	0.1014	0.0390	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
29	0.7950	0.6200	0.4710	0.3210	0.2218	0.1467	0.0834	0.0210	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.7905	0.6150	0.4620	0.3070	0.2118	0.1347	0.0654	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
31	0.7861	0.6100	0.4530	0.2930	0.2018	0.1207	0.0474	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
32	0.7818	0.6050	0.4440	0.2790	0.1918	0.1067	0.0294	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
33	0.7776	0.6000	0.4350	0.2650	0.1818	0.0927	0.0114	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
34	0.7735	0.5950	0.4260	0.2510	0.1718	0.0787	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.7695	0.5900	0.4170	0.2370	0.1618	0.0647	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
36	0.7655	0.5850	0.4080	0.2230	0.1518	0.0507	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
37	0.7616	0.5800	0.3990	0.2090	0.1418	0.0367	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
38	0.7577	0.5750	0.3900	0.1950	0.1318	0.0227	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
39	0.7539	0.5700	0.3810	0.1810	0.1218	0.0087	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
40	0.7502	0.5650	0.3720	0.1670	0.1118	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
41	0.7465	0.5600	0.3630	0.1530	0.1018	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
42	0.7429	0.5550	0.3540	0.1390	0.0918	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
43	0.7393	0.5500	0.3450	0.1250	0.0818	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
44	0.7358	0.5450	0.3360	0.1110	0.0718	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
45	0.7323	0.5400	0.3270	0.0970	0.0618	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
46	0.7288	0.5350	0																		