Composed & Solved by Iftikhar Ali Lecturer Statistics, Finance & Accounting

Paper	Financial Management	**Standard**	MCOM
Board/University	University of Sargodha	**Code**	MCM-507
Year	2017 2^{nd} Annual	**Marks**	100

Note: Question # 1 is compulsory. Attempt any four questions from the remaining. All questions carry equal marks.

Q No1: Explain the following terms (10 x 2= 20)

1. Types of Business Organizations
2. Compound Factor
3. Annuity Due
4. Debentures
5. Payback Period
6. Unsystematic Risk
7. Capital Asset Pricing Model
8. Yield to Maturity
9. Return on Investment
10. Price Earnings Ratio

Q.No.2 How regulatory Authorities e.g. SECP and SBP influence Financial Markets in emerging economies like Pakistan? (Discuss as Financial Manager)

Q.No.3 ABC Co intends to undertake a project that will yield after tax saving of Rs. 4 million at the end of year one. However, after that these savings are estimated to grow at 6%, the debt equity ratio of 0.5. Cost of equity is 25% and cost of debt is 11%. This project has the same level of risk as the existing company business. Advise company on the financial viability of project. Assume tax rate of 40 percent.

Q.No.4 Explain the need and importance of application of Financial Ratios (Liquidity, Profitability, Solvency and Performance Ratios etc.) for decision making with examples.

Q.No.5 In the cash budget for your company, you have an available balance for the month of January Rs. 184,000. The month's beginning cash balance is Rs. 100,000. What is the net cash flow for the month?

Q.No.6(i) What is meant by Capital Budgeting? Differentiate between discounted and non-discounted techniques used for analysis in capital budgeting?
(ii) Which technique is most appropriate for mutually exclusive projects and why?

Q.No.7 XYZ Co wants to choose the better of two investments A and B. Each requires an initial outlay of Rs. 10,000 and each has a most likely annual rate of return of 15%. Management has estimated the returns associated with each investment and probability for each possibility, given:

	Investment in Asset A		**Investment in Asset B**	
Expected Scenario	**Possible Return(%)**	**Probability**	**Possible Return (%)**	**Probability**
Pessimistic	13	0.25	7	0.25
Most Likely	15	0.50	15	0.50
Optimistic	17	0.25	23	0.25

(a) Calculate Expected Return for Asset A & Asset B
(b) Calculate Risk for Asset A & Asset B
(c) Which is the most suitable investment option for XYZ Co and Why (Justify your answer)