**Exam “Corporate Finance” (60 points):**

**Tests**

**(Each test has the only one correct answer. Please, highlight the correct answer. You can type Your decision under the test, if it is needed. Every test with correct answer is evaluated by 2 points):**

**1.Which of the following types of business organization is more likely to enter into long-term contracts?**

1. sole proprietorships
2. partnerships
3. corporations
4. any of the above

**2. Choose the fixed asset from the list:**

1. accounts payable
2. registered capital
3. vehicle
4. bank credit

**3. Which of the following statements best summarizes what a business partnership is all about?**

~~a. Partners own the partnership’s assets together.~~

b. Partnerships can harness the skills and expertise of more than one person.

c. A partnership involves two or more persons engaged in economic activity.

d. Partners need careful planning to succeed in business.

**4. Choose the current asset from the list:**

1. building
2. inventories
3. provisions
4. accounts payable

5. The beginning inventory at the firm was 15 units, which were purchased last year at $12 each. During current year company purchases 7 units at $13 apiece, and later, 4 units at $14 apiece. The company sells 11 units during the current year. **Which of the following inventory valuation methods yields the lowest ending inventory value for this inventory item?**

1. FIFO
2. LIFO
3. weighted average
4. All these methods yield the same value for ending inventory.

FIFO:

Beginning inventory 15units \* $12

Purchases 7 units \* $13

Ending inventory 4 units \* $14

Sells 11 units \* $12 = $132

**Ending inventory value 15 units:**

Beginning inventory (15-11) units \* $12 = 4 units \* $12

Purchases 7 units \* $13

Ending inventory 4 units \* $14

**Ending inventory value 15 units: 4 units \* $12 + 7 units \* $13 + 4 units \* $14 = $195**

LIFO

Beginning inventory 15units \* $12

Purchases 7 units \* $13

Ending inventory 4 units \* $14

Sells 11 units:

7 units \* $13 + 4 units \* $14 = $147

**Ending inventory value 15 units \* $12 = $180**

Weighted average:

Beginning inventory 15units \* $12

Purchases 7 units \* $13

Ending inventory 4 units \* $14

Sells 11 units:

15units \* $12 + 7 units \* $13 + 4 units \* $14

-------------------------------------------------------- = $12,6

26

Sells 11 units \* 12,6 = 138,6

**Ending inventory value 15 units \* $12,6 = $189**

**6. Choose the intangible asset from the list:**

1. Transport
2. Inventories
3. Accounts receivable
4. Trade mark
5. **What is the formula of the operational cycle:**
6. Days Inventory Outstanding + Days Sales Outstanding – Days Payables Outstanding
7. Production cycle+ Days Sales Outstanding
8. Production cycle – Days Payables Outstanding
9. Days Inventory Outstanding – Days Sales Outstanding + Days Payables Outstanding

**8.The expression that describes the terms of goods delivery: “n/m netto e” the symbol “m” means:**

1. discount;
2. the period of discount;
3. the term of accounts receivables;
4. banking interest rate;
5. no correct answer.

5% / **11 the period of discount** netto 35 days

**9.With increasing of accounts receivable turnover index twice, the period of its turnover will:**

1. reduce four times;
2. remain unchanged;
3. increase four times;
4. reduce twice;
5. increase twice.

Days Sales Outstanding = Accounts Receivable turnover = 360 / (2\* (net revenue / accounts receivable))

360 / 2 = 180

360 / 4 = 90 days

**10. What is the formula of cash liquidity:**

1. ~~Current assets/ Current liabilities~~
2. (Current assets – inventories)/ Current liabilities;
3. (Cash and marketable securities + Short-term financial investments + Accounts receivable)/ Current liabilities
4. (Cash and marketable securities + Short-term financial investments)/ Current liabilities
5. The Coral Reef Adventure Resort plans to transport guests to its underwater facility in a submarine. The sub cost $250,000, has a salvage value of $10,000, and has an estimated useful life of 48,000 hours, or 6 years’ use. During the first year of the sub’s operation, it was used for 8,000 hours. **What method of depreciation will give the lowest value for the first year:**
6. straight-line method
7. units of production method
8. sum-of-the-years’ digits method
9. double declining balance method

Original value = $250,000

Salvage Value = $10,000

Useful life = 6 years

Straight line method

250000 – 10000 / 6 = $40000

Double declining balance method

Annual depreciation = Book value \* 2 / useful life

Book value = Original Value – Accumulated Depreciation

I accumulated depreciation = 0

I Annual depreciation = (250000 – 0)\*2/6 = $83333

Sum-of-the-years’ digits method

(Original Value – Salvage value) \* quantity of years to the end of useful life

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1+2+3+4+… + useful life

(250000-10000) \* 6

------------------------- = $68571

1+2+3+4+5+6

Units of production method

Annual depreciation = Annual amount of production from asset \* (original value – salvage value) / total amount of production asset

48000 hours = 6 year

8000 hours = x

X = (48000 / 8000 \* 6) = 1 year

Annual depreciation = 1 \* (250000-10000) / 6 = $40000

**12.what items belong to debts:**

* 1. ~~registered capital~~
  2. Reserve capital
  3. Short-term financial investments
  4. Short-term bank credit
  5. received notes

13.there are the following types of the working capital financing policies :

1. aggressive, stabilizing, moderate;
2. stimulating, supportive, aggressive;
3. moderate, conservative, aggressive;
4. effective, passive, active;
5. conservative, active, moderate.

**14. The income statement is the report:**

1. about incomes and expenses of the company;
2. that reflects changes in equity during the reporting period;
3. about the financial state, which reflects assets, liabilities and equity;
4. which reflects the cash inflow, outflow;
5. the excess of expenditure over income.

**15. formula of net working capital:**

1. current assets – current liabilities
2. fixed assets – Accruals and deferred income
3. current liabilities – current assets
4. Prepayments and deferred costs + Accruals and deferred income
5. current assets + Long-term liabilities

**Tasks**

**Please, type Your decision of each task. Every task with correct answer is evaluated by 6 points)**

**Task 1**

**what item of the balance sheet contains:**

* + issued shares – Equity (Registered Capital)
  + repurchased shares – Equity (Treasury shares)
  + issued bonds – Long-term debt
  + bought shares – Financial investments
  + bought bonds - Financial investments
  + received notes – Accounts Receivable
  + issued notes – Liabilities (Accounts Payable)
  + financial leasing – Long-term Liabilities

**Task 2**

**Determine, which type of activity (Operating, Financing, Investing) are the following operations:**

* Company paid dividends to shareholders – Financing activities
* Company bought shares of another firm – Investing activities
* Company produced goods – Operating activities
* Company attracted bank credit – Financing activities
* Company paid back bank credit – Financing activities
* Company paid salary to workers – Operating activities
* Company opened the deposit account in the bank – Investing activities
* Company issued shares – Financing Activities
* Company received dividends – Investing Activities
* Company bought new building – Investing Activities
* Company bought raw materials – Operating Activities

**Task 3:**

**what kind of changes in balance sheet cause next business operations:**

**Balance sheet:**

|  |  |
| --- | --- |
| Assets | Equity+Liabilities=Total Capital |
| 1. Company issued and sold bonds 18000 | |
| Cash and marketable securities +18000 | Liabilities +18000 |
| 1. Company bought current financial investments 4600 | |
| Cash and marketable securities -4600  Short-term financing investments +4600 |  |
| 1. Company returned the long-term bank credit 25000 | |
| Cash and marketable securities -25000 | ~~Long-term bank credit +25000~~  Long-term bank credit - 25000 |

**Task 4**

Enterprise’s property is 25000, accumulated depreciation is 50% from the Fixed assets original value, raw materials 1000, cash liquidity 0,6, finished product 1200, incomplete production is 80% from finished product, Accounts receivable 1000, cash?, autonomy 60%, Long-term bank credit 560, 40% of the Current liabilities is Short-term bank credit. **Form the simplified balance sheet, find the Fixed assets original value.**

|  |  |
| --- | --- |
| **Assets 25000** | **Equity + Debts 25000** |
| **Fixed assets ~~18952~~ 15176** | **Equity 15000** |
| **Current assets ~~6048~~ 9824** | **Long-term debts 560** |
| **-inventories 1000 + 1200+960** | **Short-term debts 9440** |
| **-cash ~~1888~~ 5664** | **-accounts payable 5664** |
| **-Accounts receivable 1000** | **-short-term bank credit 3776** |

**Cash Liquidity = Cash ratio = Cash + short-term investments / Current liabilities**

**Current Liabilities = Short-term debts**

**Autonomy = Equity Ratio = Equity / (Equity + Liabilities)**

**60% = Equity / 25000**

**Equity = 15000**

**Fixed assets = Assets – Currents assets**

**Fixed Assets = 18952**

**short-term bank credit = 40% \* 9440 = 3776**

**Accounts payable = Short-term debts – short-teem bank credit = 5664**

**~~0,6 = (Cash + 3776) / 9440 Cash + 3776 = 5664 Cash = 1888~~**

**Cash Liquidity = Cash ratio = (Cash + short-term investments 0) / Current liabilities=0.6**

**Cash = 0.6\*9440 - 0=5664**

**Balance value = original value – depreciation**

**Balance value = fixed assets ~~18952~~ 15176**

**Original Value = ~~18952~~ 15176/ 50% = ~~18952~~ 15176\* 2 = ~~37904~~ 30352**

**Task 5**

Company attracted bank credit in amount 20000 for 4 years with annual interest rate 13%. **Calculate cash outflows, that company has to pay to the bank each year and define total amount of financial costs.**

1 year: 20000/4+20000\*13% = 5000 + 2600 = 7600

2 year: 20000/4+(20000-5000)\*13% = 5000 + 1950 = 6950

3 year: 20000/4+(20000-5000-5000)\*13% = 5000 + 1300 = 6300

4 year: 20000/4+(20000-5000-5000-5000)\*13% = 5000 + 650 = 5650

Total amount = 7600 + 6950 + 6300 + 5650 = 26500

**financial costs???**