

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?

- a. sole proprietorships
- b. partnerships
- c. corporations
- d. any of the above

2. Choose the fixed asset from the list:

- a. accounts payable
- b. registered capital
- c. vehicle
- d. 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:

- a. building
- b. inventories
- c. provisions
- d. 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?**

- a. FIFO
- b. LIFO
- c. weighted average
- d. All these methods yield the same value for ending inventory.

6. Choose the intangible asset from the list:

- a. Transport
- b. Inventories
- c. Accounts receivable
- d. Trade mark

7. What is the formula of the operational cycle:

- a. Days Inventory Outstanding + Days Sales Outstanding – Days Payables Outstanding
- b. Production cycle+ Days Sales Outstanding
- c. Production cycle – Days Payables Outstanding
- d. 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:

- a. discount;
- b. the period of discount;
- c. the term of accounts receivables;
- d. banking interest rate;
- e. no correct answer.

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

- a. reduce four times;
- b. remain unchanged;
- c. increase four times;
- d. reduce twice;
- e. increase twice.

10. What is the formula of cash liquidity:

- a. Current assets/ Current liabilities
- b. (Current assets – inventories)/ Current liabilities;
- c. (Cash and marketable securities + Short-term financial investments + Accounts receivable)/ Current liabilities
- d. (Cash and marketable securities + Short-term financial investments)/ Current liabilities

11. 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:

- a. straight-line method
- b. units of production method
- c. sum-of-the-years' digits method
- d. double declining balance method

12.what items belong to debts:

- a. registered capital
- b. Reserve capital
- c. Short-term financial investments
- d. Short-term bank credit
- e. received notes

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

- a. aggressive, stabilizing, moderate;
- b. stimulating, supportive, aggressive;
- c. moderate, conservative, aggressive;
- d. effective, passive, active;
- e. conservative, active, moderate.

14. The income statement is the report:

- a. about incomes and expenses of the company;
- b. that reflects changes in equity during the reporting period;
- c. about the financial state, which reflects assets, liabilities and equity;
- d. which reflects the cash inflow, outflow;
- e. the excess of expenditure over income.

15. formula of net working capital:

- a. current assets – current liabilities
- b. fixed assets – Accruals and deferred income
- c. current liabilities – current assets
- d. Prepayments and deferred costs + Accruals and deferred income
- e. 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
- repurchased shares - ? treasury stock
- issued bonds - ? other long term liabilities
- bought shares - ? other financial investments
- bought bonds - ? financial investments
- received notes - ? account receivable
- issued notes - ? account payable
- financial leasing - ? long term liability

Task 2

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

- Company paid dividends to shareholders - ? financing
- Company bought shares of another firm - ? investing
- Company produced goods - ? operating
- Company attracted bank credit? financing
- Company paid back bank credit? financing
- Company paid salary to workers - ? operating
- Company opened the deposit account in the bank - ? investing
- Company issued shares -? financing
- Company received dividends - ? investing
- Company bought new building - ? investing
- Company bought raw materials - ? operating

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+	Long-term liabilities+
2. Company bought current financial investments 4600	
Financial invesments + cash -	
3. Company returned the long-term bank credit 25000	
Cash-	Liabilities-

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+Liabilities=Total Capital = 25000
Fixed Assets = 25000-9824 =15176	Equity 15000
Curent assets = 9824	Long term debts 560
Account receivable 1000	Short term debts = 25000-15000- 560=9440
Cash 5664	Account payable = 9440-3776=5664
Inventories = 1000+1200+960	Short term bank credit = 0.4*9440=3774

Autonomy = 25000*0.6=15000

Cash liquidity $0.6 \cdot 9440 = 5664$

Original value = $15176 \cdot 2 = 30352$

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 $20000/4 + 20000 \cdot 0.13 = 7600$

2 year $20000/4 + (20000 - 5000) \cdot 0.13 = 6950$

3 year $20000/4 + (20000 - 10000) \cdot 0.13 = 6300$

4 year $20000/4 + (20000 - 15000) \cdot 0.13 = 6150$

Total amount of costs is 7000