

(1)

ABC Limited Balance Sheet (in Rs. Thousands)					
	2021	2020		2021	2020
Current Assets			Current Liabilities		
Cash	348	301	Accounts Payable	314	294
Accounts Receivables	551	514	Notes Payable	85	79
Inventories	493	510	Accrued Expenses	190	308
Other	71	60	Total current liabilities	589	681
Total current assets	1463	1385	Long term liabilities		
Fixed assets			Deferred Taxes	254	124
Property, plant and equipment	3191	2446	Long-term debt	907	883
Less accumulated depreciation	1031	840	Total long-term liabilities	1161	1007
Net Property, plant and equipment	2160	1606	Stockholders' equity		
Intangible assets	610	545	Preferred stock	16	16
Total fixed assets	2770	2151	Common stock	97	97
Total Assets	4233	3536	Capital surplus	611	599
			Accumulated retained earnings	1904	1233
			Less treasury stock	145	97
			Total equity	2483	1848
			Total liability and shareholders' equity	4233	3536

Other information: During the year the company raised Rs. 175,000 in new long-term debt and retired Rs. 151,000 in long-term debt. The company also sold Rs. 12,000 in new stock and repurchased Rs. 48,000 in stock. The company purchased Rs. 1,140,000 in fixed assets and sold Rs. 330,000 in fixed assets.

ABC Limited Income Statement (in Rs. Thousands)	
Sales	5813
Cost of goods sold	3430
Selling, general and administrative expenses	652
Depreciation	191
Operating income	1540
Other income	58
EBIT	1598
Interest expenses	105
Pretax income	1493
Current tax	467
Deferred tax	130
Net income	896
Dividends	225
Retained earnings	671

You are required to prepare the financial statement of cash flows (cash-flow from assets, cash flow to the creditors, cash flow to stock holder) and accounting statement of cash flows. (6 Marks)

- (2) XYZ company has forecasted a 15% sales growth rate for the next year. The current financial statements are shown as follows:

Income Statement (in Rs)	
Sales	30,400,000
Costs	26,720,000
Taxable income	3,680,000
Taxes	1,288,000
Net income	2,392,000
Dividend	956,800
Addition to retained earnings	1,435,200

Balance sheet (in Rs)

Assets		Liabilities and Equity	
Current assets	7,200,000	Short-term debt	6,400,000
Fixed assets	17,600,000	Long-term debt	4,800,000
Total assets	24,800,000	Common stock	3,200,000
		Accumulated Retained Earnings	10,400,000
		Total equity	13,600,000
		Total liabilities and equity	24,800,000

Using the above data answer the following questions: (a) Using the equation, calculate the external funds needed for the next year. (b) Construct firm's pro forma balance sheet for next year and confirm the external funds needed that you calculated. (c) Calculate the sustainable growth rate of the company.

(6 Marks)

- (3) What are the objectives of the firm? Explain the conceptual framework of the interaction among managers, stock holders, bond holders, financial market, and society considering the agency conflict, inactive shareholders and dominant managers.

(6 Marks)

(4) Using the following information calculate the depreciation expenses: Sales=Rs. 41,000; costs=Rs. 26,400; addition to retained earnings=Rs. 4,900; dividend paid=Rs. 1,570; interest expenses=Rs. 1,840; tax rate=35%

(3 Marks)

- (5) Firm A and firm B have debt to total asset ratios of 60% and 35% and return on total assets of 4.5% and 8% respectively. Which firm has a greater return on equity?

(3 Marks)

- (6) Company PQR has a ratio of long-term debt to total assets of 0.35 and current ratio of 1.45. Current liabilities are Rs. 1140; Sales are Rs. 8370; profit margin is 8.3% and ROE is 16.5%. What is the amount of firm's net fixed assets?

(3 Marks)

- (7) A company has net income of Rs. 213,700, a profit margin of 7.1% and an account receivable balance of Rs. 126,385. Assuming 65 percent of sales are on credit, what is the company's days' sales in receivables?

(3 Marks)