

(English Version)

Subject : Finance, Banking & Insurance 1st Paper (Creative)

Time : 2 Hours 30 Minutes

Full Marks —70

[Answer any Seven Questions]

1. Mr. Jaisil has a stationary shop. He is the only one owner of this shop. For that reason, he bears all profit & loss. He has different types of goods that is sold to customers. He holds different categories of product for minimizing risk.
 - a) What is the ultimate goal of a firm? 1
 - b) What do you mean by partnership business? 2
 - c) According to stem, which type of business is run by Mr. Jaisil? Explain. 3
 - d) Which principle does Mr. Jaisil follow for development of business? Show your arguments. 4
2. Share markets play an important role in the economy of a country. There are two share markets in Bangladesh. Daily trading of this market are huge. Those two markets are controlled by a govt institution. This institution is trying to increase trade and commerce. Besides insurance companies are also playing important role in economic development. A govt. organization controls all insurance companies.
 - a) What is capital market? 1
 - b) What do you mean by Non-bank financial institution? 2
 - c) Which stock exchange is mentioned in this stem? Explain. 3
 - d) “Two organizations are controlled by a govt organization.” Which govt. organization is mentioned in this stem? Explain with logic. 4
3. Mr. Karim has retired from his service on 2013, and received a lump sum amount. Personally he has some amount of savings. Currently he is interested to invest his money in share market but he is not ready to take much risk. He has consulted with some of his friends about this issue and decided to invest in primary market.
 - a) Who controls the capital market? 1
 - b) What do you mean by secondary market? 2

- c) Why did Mr. Karim decide to invest in share market rather than in any other sector? Explain. 3
- d) Justify the investment decision of Mr. Karim to the primary market. 4

4. Earning Before Interest and Tax (EBIT) of Akiz Ltd. in 2015 was Tk 40,00,000 and depreciation was Tk 4,00,000. Corporate tax rate in 40% comparative changes of current asset, current liabilities and fixed asset in 2015 are as follows:

Particulars	2015	2014
Net fixed asset	40,00,000	30,00,000
Current asset	20,00,000	10,00,000
Creditors	2,50,000	2,00,000
Accrued expense	60,000	40,000

- a) What is cash flow? 1
- b) What is break even analysis? Explain. 2
- c) From above stem, calculate (i) Cost of capital (ii) investment in net current asset. 3
- d) Evaluate the amount of free cash flow of Akiz Ltd. in 2015. 4
5. Bizu company is a trader of watch. This company sells/ pieces of watch every year. Carrying cost and buying cost of each watch are Tk. 1 and Tk. 2,000 respectively. Per order cost is tk. 50. On the other hand, Raka company sells 15,000 pieces of watch every year. Per order cost is tk. 60 and carrying cost is tk. 2.
- a) What is warehouse receipt loan? Explain. 1
- b) What is mid term finance? 2
- c) According to the stem, calculate the Economic Order of Quantity (EOQ) of Bizu company. 3
- d) According to the stem, mathematically compare and explain the total inventory cost of Bizu & Raka company. 4
6. Mr. Aunshu is interested to invest in the following bond market. He considers the following two bonds for investment.

Company	Face value	Co up on	Durati on	Market Value
IDLC	Tk 15,0000	16%	12	Tk 1,500
RFL	tk 15,000		7 years	Tk 800

Expected rate of return of Mr. Ausgshu is 10%. He invests in bond issued by IDLC company Ltd.

- a) What is discount? 1
- b) What do you mean by owner's equity? Explain. 2
- c) Determine the present value of bond issued by RFL company. 3
- d) Based on intrinsic value of bond, evaluate the logic behind investment decision of Aungshu. 4

7. Capital structure of Bata company is as follow :

Particulars	Amount (Tk)
Debenture 15%	10,00,000
Preferred share 10%	3,00,000
Common share	12,00,000
	25,00,000

- a. What is cost of capital? 1
 - b. What is the tax advantage of having debt? 2
 - c. Calculate WACC. 3
 - d. If company decided to go without debt, what will be the WACC. 4
8. Clear Foods Ltd. issued a bond of Tk. 2,500 with 12% interest. Tax rate is 30%. Manager Mr. Anis expect to sell the bond at 10% premium but an underwriting commission of 2% should be paid.
- a) What is cost of capital? 1
 - b) What is the impact of tax over the cost of debt capital? 2
 - c) Calculate the cost of capital of clear Foods Ltd. 3
 - d) If the bond is sold at 5% discount rather than 10% premium. What changes will occur in cost of debt capital? 4
9. Mr. Masum is deciding to invest in two projects A & B. Details explanation of these projects are as follows—

Initial investment

Project A: Tk 80,000

Project B : Tk. 80,000

Year	Project A	Project B
	Net profit after tax	Net profit after tax
1	10,000	15,000
2	16,000	20,000
3	12,000	10,000

Expected rate of return of Mr. Masum is 15%.

- a) What is pay back period? 1
- b) How can you calculate the internal rate of return? 2
- c) According to the stem, determine the pay back period. 3
- d) Which one is more acceptable between two project? Give opinion based on NPV. 4

10. To invest in a project Tk. 100,000 is required. Cash flow of Tk. 30,0(X) 'R. 20,000 Tk. 25,000 Tk. 22,000 and Tk. 35,000 respectively is expected from the project for next 5 years. Cost of capital is 9%.

- a) What is capital budgeting? 1
- b) What do you mean by internal rate of return? 2
- c) Calculate the net present value of the project. 3
- d) Should the project be accepted in consideration of average rate of return? Give your opinion. 4

11. Detail explanation of two stock's income related information are as follows:

Economic condition	Project-x		Project Y	
	Rate of Return	Probability	Rate of Return	Probability
Bad	-10%	0.30	-8%	0.30
Normal	20%	0.30	15%	0.30
Good	30%	0.30	25%	0.30

- a. What is portfolio? 1
- b. How is financial risk created? Explain. 2
- c. Calculate the standard deviation for project x. 3
- d. Which project is good for investment? Why? Logically explain. 4

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[Darken the circle (O) with black ball point pen from the alternatives]

- The difference between present value of income and present value of expense is called-
 (a) wealth maximization (b) Profit maximization
 (c) Business finance (d) Non business finance
- Which of the following does not—
 (a) consider the time
 (b) value of money
 (c) wealth maximization
 (d) Profit maximization Business finance Non business finance
- Which of the following market is controlled by security exchange commission?
 (a) Money market (b) capital market
 (c) Gold market (d) silver market
- Time line determines-
 (a) Time value of money (b) Asset
 (c) Income (d) Expense
- Rule-72 is used in-
 (a) Double (b) Three times
 (c) Four times (d) Equal amount

Read the following stem and answer the question 6 and 7 no below:

Mithu Azim deals with fruit He decides to invest in business and seeks financial support from his friend. He is thinking of minimization risk.

- The market price of a share of common stock is determined by-
 (a) The board of directors of the firm
 (b) The stock exchange on which the stock is listed
 (c) The president of the company
 (d) Individuals buying and selling the stock
- How Mithu Azim can minimize his risk?
 (a) Banking (b) insurance
 (c) Transportation (d) Storage
- Who determine highest interest rate?
 (a) Bangladesh Bank (b) Merchant Bank
 (c) Investment Bank (d) Pubali Bank
- Find the compound value of tk. 10000 for 4 years at 5% per annum?
 (a) 12250 (b) 12155
 (c) 12677 (d) 12130

Read the following stem and answer the question below (10-11):

Shipon Islam is a businessman is Syihet. He wants to buy a Television. He decides to take loan from a Bank at the interest rate of 1 5%. He has to pay installment of 1500 per month for 10 months.

- Shipon Islam was included to which policy by bank?
 (a) consumer loan (b) Housing loan
 (c) Investment loan (d) Car loan

- What is the present value of purchased television?
 (a) 7228 (b) 7528 (c) 7258 (d) 7825
- How many financial statement are prepared by public limited company?
 (a) 4 (b) 5 (c) 6 (d) 7
- Business risk is depended on which of following policy?
 (a) capital structure policy (b) Investment policy
 (c) purchase and sell policy (d) Earning policy
- Which one is an element of inventory management?
 (a) Raw materials (b) Machineries
 (c) Furniture and fixture (d) Building
- Any business retained earning is—
 (a) Asset (b) Liabilities
 (c) Capital (d) Expenditure

Read the following stem and answer question 16 and 17.

BD food Ltd received 10 Lac taka from Dhaka bank for 1 year at a rate of 12% interest. The interest of loan witch will be deducted immediately.

- The method followed in passages is—
 (a) Simple interest method
 (b) Discounting method
 (c) Compounding interest method
 (d) Installment method
- If interest is deduced before providing the loan then real interest rate would be—
 (a) Higher (b) Lesser
 (c) Some (d) both can be happened
- Any business retained examining is—
 (a) Asset (b) Liabilities
 (c) capital (d) expenditure
- The benefit of long term capital is—
 (a) Renewable (b) Tax advantage
 (c) Flexibility (d) Quick procedure

Read the following stem and answer the question no. 20 & 21:

Mr. Karim wants to start a new venture in the market. He needs capital, land, labor and furniture for his new venture,

- What type of financing policy Mr. Karim takes to meet his business need?
 (a) Middle term (b) Short terra
 (c) Long term (d) Current Asset Financing
- The financing process discussed in the passage is—
 i. investors capital
 ii. Indirect Investment by the owner
 iii. collecting investor's capital by forming partnership

Which is correct?

- (a) i & ii
- (b) i & iii
- (c) ii & iii
- (d) i, ii & iii

22. The Cost occurred for alternative project is called—

- (a) Historical Cost
- (b) Future cost
- (c) Implicit Cost
- (d) Explicit cost

23. Which one is terminal cash flow?

- (a) Scraph value
- (b) Purchase of land
- (c) Sell of land
- (d) Spending in building and fixture

Read the following passages and answer the question no. 24 and 25.

Mr Jafor wants to invest in several profitable projects instead of investing in one single share.

24. What is meant by portfolio investment?

- (a) Sum of investment in various company
- (b) Sum of income of various company
- (c) Sum of risk of various share
- (d) Weight of total share

25. What is the main objective of creating portfolio investment?

- (a) increase total income
- (b) Increase total investment cost
- (c) Decrease total risk
- (d) Increase total investment

26. Which project should be accepted?

- (a) The project has lowest IRR
- (b) The project has maximum NPV
- (c) The project has lowest ARR
- (d) The project has highest PBP

Read the passage and answer 27 and 28 :

Mr. Akash wants to invest Tk. 50,000 in a project, for 5 years, Present value of cash inflows from the project is Tk. 65000.

27. What is the net present value of the project?

- (a) Tk. 10,000
- (b) Tk. 12,000
- (c) Tk. 15,000
- (d) Tk. 25,000

28. What should be the decision of Mr. Akash for this project?

- (a) Should he rejected
- (b) should he accepted
- (c) Should delay
- (d) Should analyze again

Read the passage below and answer 29 and 30.

An organization issued 15% bond, with face value IL 1000. Tax rate is 25%.

29. What is the cost of bond?

- (a) Tk. 11.25
- (b) Tk. 12.25
- (c) Tk. 11.75
- (d) Tk. 11.13

30. Which type of source is bond?

- (a) Short term
- (b) Mid term
- (c) Long term
- (d) Internal