

Semester “Spring 2011”

“ Corporate Finance (FIN622) ”

Assignment No. 01

Marks: 20

Question # 1: (10 Marks)

AST Company reports the following balance sheet information for 2009.

**AST Company
Balance Sheet
As of December 31, 2009**

<u>Assets</u>	<u>2009</u>
<i>Current Assets</i>	
Cash	Rs. 18,288
Accounts Receivable	44,062
Inventory	104,339
Total	<u>Rs. 166,689</u>
<i>Fixed Assets</i>	
Net Plant & Equipment	582,190
Total Assets	<u><u>Rs. 748,879</u></u>
 <u>Liabilities & Owners' Equity</u>	
<i>Current Liabilities</i>	
Accounts Payable	Rs. 149,940
Notes Payable	69,246
Total	<u>Rs. 219,186</u>
Long-term Debt	190,000
<i>Owners' Equity</i>	
Common stock and paid-in surplus	Rs. 160,000
Accumulated Retained Earnings	179,693
Total	<u>339,693</u>
Total Liabilities and Owners' Equity	<u><u>Rs. 748,879</u></u>

Required:

Calculate the following financial ratios based on the balance sheet given for AST Company:

- (a) Current Ratio
- (b) Quick Ratio
- (c) Cash Ratio
- (d) Total Debt Ratio
- (e) Debt-equity Ratio

Question # 2: (10 Marks)

Mr. Aamir is considering two different saving plans. The first plan would have his deposit Rs. 850 every quarter, and he would receive interest at an 8% annual rate, compounded quarterly. Under the second plan he would deposit Rs.1,700 every six months with a rate of interest of 9%, compounded semiannually. Suppose the initial deposits with both the plans are made now.

Required:

- (i) What will be the future value of annuity for the first plan at the end of 6 years?
- (ii) What will be the future value of annuity for the second plan at the end of 6 years?
- (iii) Which plan would be more feasible keeping the value of saving in consideration?

Important Tips

1. This Assignment can be best attempted from the knowledge acquired after watching video Lecture # 01 to Lecture # 08 and reading handouts as well as recommended textbook.
2. Video lectures can be downloaded for free from www.youtube.com/vu.

Schedule

Opening Date and Time	April 11, 2011 At 12:00 A.M. (Mid-Night)
Due Date and Time	April 14, 2011 At 11:59 P.M. (Mid-Night)

NOTE:

Only in the case of Assignment, 24 Hrs extra / grace period after the above mentioned due date is usually available to overcome uploading difficulties which may be faced by the students on last date. This extra time should only be used to meet the emergencies and above mentioned due dates should always be treated as final to avoid any inconvenience.

Important Instructions:

Please read the following instructions carefully before attempting the assignment solution.

Deadline:

- Make sure that you upload the solution file before the due date. No assignment will be accepted through e-mail once the solution has been uploaded by the instructor.

Formatting guidelines:

- Use the font style "Times New Roman" and font size "12".
- It is advised to compose your document in MS-Word 2003.
- Use black and blue font colors only.

Solution guidelines:

- You are required to provide complete working/calculations because it carries considerable marks.
- Every student will work individually and has to write in the form of an analytical assignment.
- For acquiring the relevant knowledge don't rely only on handouts but watch the video lectures and use other reference books also.

Rules for Marking:

Please note that your assignment will not be graded or graded as Zero (0) if:

- It has been submitted after due date.
- The file you uploaded does not open or is corrupt.
- It is in any format other than **.doc (MS Word)**.
- It is cheated or copied from other students, internet, books, journals etc...