

**FINAL EXAM**  
**SEMESTER 19.1B – 2019 – 2020 ACADEMIC YEAR**

**COURSE NAME: FINANCIAL MANAGEMENT**

**COURSE CODE: TC304DE02**

**Time limit : 90 minutes** (not to count time for distributing answer sheets and/or exam copies)

**Exam copy to be collected**       **Exam copy not to be collected**

**Open books and notes**       **Closed books and notes**

- Documents and notes are allowed (if any): .....
- .....
- Other instructions (if any): .....

**Attention:** Students must use HSU answer sheets for multiple choice questions and exam papers for essay question 2. Use this exam copy for essay question 1.

**Problem Solving (10 points)**

**Question 1: (2 points):**

**If your student code have the last number is odd number (a)** (*số cuối mã số sinh viên là lẻ làm câu a*)

a./ What is the operating Leverage? How do changes in fixed operating costs, the sale price per unit, the sale price per unit, and the variable operating cost per unit affect it?

**If your student code have the last number is even (b)** (*số cuối mã số sinh viên là chẵn làm câu b*)

b./ What is the Financial Leverage? How do changes in fixed operating costs, the sale price per unit, the sale price per unit, and the variable operating cost per unit affect it?

**Question 2: (2 points):**

**If your student code have the last number is odd number (a)** (*số cuối mã số sinh viên là lẻ làm câu a*)

a./ Describe some of the characteristics of the operating cycle and the cash cycle in the firm? What are the differences of a firm with the short operating cycle and the short cash cycle?

**If your student code have the last number is even (b)** (*số cuối mã số sinh viên là chẵn làm câu b*)

b./ Describe some of the characteristics of the operating cycle and the cash cycle in the firm? What are the differences of a firm with the long operating cycle and the long cash cycle?

**Question 3: (3 points)**

Peter is a wholesaler of motorcycle helmets, it is 1 January 20X2. Credit sales in the last quarter of 20X1 were as follows:

	Helmets
October	2000
November	2000
December	2500

His credit sales in the first quarter of 20X2 will be as follows:

	Helmets
January	3000
February	5000
March	4500

Customers are given 60 days' credit and the average selling price is \$10. His biggest customer, Mickster, is given a 2% discount for paying cash when the sale is made. Mickster is planning to buy 150 helmets in January and 250 Helmets in March. The sales to Mickster are in addition to those credit sales stated above.

Purchases (an average of 30 days credit) are \$4 per helmet. Peter plans to buy in the helmets a month in advance of selling them. Total overheads are \$2,000 per month, this includes \$400 depreciation and wages of \$1,000. All other overheads are paid for after a credit period of 30 days.

Peter plans to inject a further \$5,000 of his own money into the business in March to help to buy non-current assets for \$24,000. These assets will be depreciated over 5 years.

**Required:** prepare a monthly cash flow forecast for the 1<sup>st</sup> quarter of 20X2, the opening balance is -\$4,550.

**Question 4: (1 points)**

Convex Mechanical Supplies produces a product with the following costs as of July 1, 200X:

Material	\$ 6
Labor	4
Overhead	<u>2</u>
	\$12

Beginning inventory at these costs on July 1 was 5,000 units. From July 1 to December 1, Convex produced 15,000 units. These units had a material cost of \$10 per unit. The costs for labor and overhead were the same. Convex uses FIFO inventory accounting.

Assuming that Convex sold 17,000 units during the last six months of the year at \$20 each,

- what would gross profit be? (1 Point)
- What is the value of ending inventory? (1 Point)

**Question 5. (2 points)**

Dairy Corp. has a \$11 million bond obligation outstanding which it is considering refunding. The bonds were issued at 10% and the interest rates on similar bonds have declined to 8%. The bonds have five years of their 20-year maturity remaining.

The new bond will have a 5-year maturity. Dairy will pay a call premium of 5.5% and will incur new underwriting costs of \$500,000 immediately.

There is no underwriting cost consideration on the old bond. The company is in a 40% tax bracket.

To analyze the refunding decision, use a 6% discount rate. Should the old issue be refunded?

-----End of exam-----

