Question 1: A company has total annual sales (25% on cash basis) of Rs.3,000,000 and a gross profit margin of 20 %. Its current assets are Rs. 500,000; current liabilities are Rs. 340,000; inventories are Rs. 260,000; and cash is Rs. 60,000.
Calculate:
(a) How much average inventory should be carried if management wants the inventory turnover to be 5 times
(b) How rapidly (in how many days) must accounts receivable be collected if management wants to have an average of Rs.240,000 invested in receivables(Assume a 365-day year.)

Question 2: Discuss default risk of bond in detail.

Answer:

Default Risk

It is define as that "there is no guarantee that a bond issuer will make the payment which he promised.

When there is higher default risk the higher the probability that those who have the bond will not receive the promised payments and thus higher the yield.

The investor which are risk averse require some compensation for risk, more compensation is require for higher risk.

For example
Suppose risk free rate is 10%
ABC corp. issue one year bond at 10%
Price without risk= (100 +10)/1.1= Rs.100
Suppose, there is probability that ABC corp. goes bankrupt, get nothing than two possible payoffs: Rs.110 and Rs.0

Question 3: Discuss different types of insurance companies in detail.

Answer:
There are two type of in Insurance companies

1. Life insurance
2. Property and casualty insurance

Which makes a payment to the insured's beneficiaries upon the death of the policy holder.

Company can get group insurance for their employees.

Whole life insurance

It is combination of life insurance and fix saving account.

We pay fix amount for a fixed period of time and in case of death of policy holder his/her beneficiary gets the money.

If the policy holder decides to discontinue the policy

Property and casualty Insurance

The policyholder pays fixed amount in exchange for protection to its property or assets. For example.