

Question 1: Find the debt equity when profit margin ratio = 10%, Total Assets Turnover = 1.35 times, ROE = 15.70%.

Question 2: How a firm's overall cost of capital is calculated?

Question 3: how cost of debt can be measured

Question 4: Identify systematic and unsystematic risk from followings

1. 1- Interest Rate
2. 2- Strike call in a company
3. 3- Gross Domestic product

Question 5: Method of Calculating Yield to Maturity?

Question 6: Prepare a Projected income statement

Question 7: The following data is from Saratoga Farms Inc. 2004 financial statements.

Sales = \$ 2,000,000

Net Income = \$ 200,000

Total Assets = \$ 1,000,000

Debt to Total Asset Ratio = 60

Required

a) Construct and solve the Dupont equation for Saratoga Farms.

b) What will be the impact on ROE if Debt to Total Assets Ratio were 20%?

Question 8: What are the basic three determinants of term structure

Question 9: If $y = Y / L$, where, $Y = \text{Total GDP}$, $L = \text{Population}$, $y = \text{Per capita GDP}$ then prove that Growth rate of per capita income = Growth rate of total output - Growth rate of population

Answer:

$$y = Y / L$$

Where,

$Y = \text{Total GDP}$

$L = \text{Population}$

$y = \text{Per capita GDP}$

Taking log of both sides

$$\ln y = \ln Y - \ln L$$

Taking derivative w.r.t. time

$$1/y (dy/dt) = (dY/dt)/Y - (dL/dt)/L$$

$$gy = gY - gL$$

Growth rate of per capita income = Growth rate of total output - Growth rate of population

Question 10: It is said that growth is an important macro-economic issue. Why? Discuss.

Answer:

Why Growth is an Important Macroeconomic Issue

It is obvious why growth is an important macroeconomic issue. Every government aspires to deliver a higher growth rate for the country. High growth rates means higher national income which means better living standards on average, which in democracies, means happier electorates and therefore increased