**BUS 302 Managerial Finance midterm examination**

1. If the equity portion of a balance sheet states that there is $500k in common stock outstanding and you know that there are 10,000 shares, why would the share price be $55? What is the book value and what is the market value? Why is there is a difference? What calculation would you use to determine this? What is the calculation (show answer)?
2. What impact might unethical practices have on a business in regard to finance and investment? What should you do when you encounter unethical behavior at work?
3. Describe the difference between *actively managed funds* and *indexed funds*?
4. What is *benchmarking* and what purpose does it serve?

Spreadsheet Questions: Use the information from the spreadsheet to answer the following questions. All calculations should be for 2016 (unless otherwise stated).

1. You would like to know about the company’s liquidity for 2016. Will they be able to pay their bills this year, should they borrow additional funds? You can begin to answer these questions by looking at two ratios. One ratio will give you a general idea and another will give you a better answer because it eliminates some assets that is not easily converted into cash (liquidity). What are the two ratios and what are the calculations?
2. You are interested to know how long it is taking your customers to actually pay you after the sale. You know that every day they wait to pay you is money lost. What ratio should you look at to determine how long it is taking for your customers to pay you? What is the ratio and the calculation?
3. You would like to know if your operating costs are too high. What is the best ratio to determine operating income per dollar of sales? Calculate this ratio and determine if it is above or below
4. You want to know how effectively you are using your plant and equipment. What is the best ratio to determine this? What is the calculation?
5. You would like to know how often your inventory is sold and restocked. What ratio would you use and what is its calculation?
6. You want to know how much of your firms capital is provided by debt holders? What is the ratio and calculation?
7. Your shareholders want to know what kind of return they can expect on their money, at least in an accounting sense. What ratio do you use and its calculation?
8. Calculate the expected free cash flows for 2016e.

Time Value of Money

1. You put $1,000 in a savings account that pays 6% interest. You plan on taking out $100 a year for the next ten years. How much will you have left at the end of ten years?
2. You realize you have another account that has $1,154 in it and it has been earning 4% interest. You remember putting $1,000 in it for a rainy day fund but you cannot remember when. How long has it been in the account?
3. You are planning a project that will start in 5 years. You know that you will need $25,000 for upfront costs out of pocket and the rest will be financed. You have been asked to set aside the funds you will need. Assuming you can earn 7% interest, how much should you deposit now to have the $25,000 in five years?
4. A donor has given your organization $150,000 with the stipulation that you use it over the next 8 years. You deposit the funds into a money market account that earns 5%. How much can you expect to withdraw each year (Once a year withdrawals are allowed per the donor restrictions)?
5. An investor has given you $75,000 for a special project and you are required to provide an additional $10,000 a year from your operations. Three years later you have $118,347 for the project, what interest rate did you earn?
6. A credit card company is charging you 21.2% interest. You used the credit card on a vacation and racked it up to $5,346. If you make monthly payments of $100, how long will it take you to pay it off?