

**MID TERM EXAM ODD SEMESTER 2012/2013**

**FINANCIAL MANAGEMENT**

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**Instruction:** answer ALL the questions below. Consider the weight of each question and allocate the time properly.

**Problem 1 (20%)**

**1. Bond Valuation (10%)**

PT Maju Issue 11-year bonds last year with coupon rate 8,2%. Thix coupon paid semi-annually. If coupon Yield to Maturity is 10%, andpar value of obligation is \$1000. Determine intrinsic value of the bond!

**2. Stock Valuation (10%)**

PT Mundur is a fast growing company. Company dividend is expected to rise at 30% within first-three years, and decline to 5% constantly year after. Company has just paid early dividend at amount of \$20.85. if company required return is 15%, determine intrinsic value of the stock!

**Problem 2 (15%)**

In your retirement period later, you are planning to do a vacation to around the world and this activity estimates taking five years. If you are planning to retire in eight years from now, and you will set aside \$8000 per year as savings, how much is the amount must be provided at the end of the 8th year? And how much is the fixed budget per year that can be used for vacation activity that will start in the 9th year? (your investment manager can only promise the rate or return is 10% per year)

**Problem 3 (20%)**

R&B Co is preparing to expand their business in some investment choices. As a new financial manager, you have to know the financial situation of R&B Co included their strength and weaknesses. Company financial reports for year 2010 and 2011 are as follow:

**Financial Report R&B Co**  
(Rp'000.000)

Aset	2010		2011		Liabilities & Equities	2010		2011	
	2010	2011	2010	2011		2010	2011	2010	2011
Cash	105	80	Account Payable	150	200	Net working capital payable	125	-	
Bank	200	200	Bond	500	500	Common Stock	175	305	
Account Receivables	275	290	Owner's equity	775	775	Retained Earnings	655	700	
Inventory	600	580							
Building & Machinery (Accumulated Depreciation)	.700	1.930							
	-500	-600							
	<b>2.380</b>	<b>2.480</b>		<b>2.380</b>		<b>2.480</b>			

Comprehensive Income Statement	2010		2011		Financial Ratio	2010		2011		Industry 2011
	2010	2011	2010	2011		2010	2011	2010	2011	
Sales (credit)	.100	1.330	Current Ratio	4.29	5.75	5				
COGS	600	760	Quick Ratio	2.11	2.85	3				
Operating expenses	20	30	Inventory Turnover	1	1.31	2.2				
Depreciation	160	200	Av. Collection Period	90	78.5	90				
Interest expense	64	57	Debt Ratio	0.33	0.28	0.33				
Taxes	87	96	Times Interest Earned	5	5.96	7				
Net income	169	187	Current Asset Turnover	0.93	1.16	3				
			Fixed Asset Turnover	0.92	1	1				
			Total Asset Turnover	0.46	0.54	0.75				
			Opr. Profit Margin	29.09%	25.56%	20.00%				
			Net Profit Margin	15.36%	14.06%	12.00%				
			OIROI			15.00%				
			ROA			9.00%				
			ROE			13.43%				

Based on financial informations provided above, complete the empty tables (OIROI, ROA and ROE) and explain:

1. Company profitability
2. Company liquidity
3. Company leverage
4. Company rate of return
5. Company strength(s) and weakness(es) compared to other companies in the same industry.

### Problem 4 (20%)

Make pro-forma balance sheet of Darkhound Corp. and calculate the amount of financing needed by the company for year 2012 using information in financial reports provided below and *percentage of sales method* if knowing the production capacity is at full capacity. (notes: sales increase at 20% and dividend payout ratio is 45%, other expenses and interest expense assumed constant)

Balance sheet Darkhound Corp. (Rp 000)

	2011		2011
<b>Assets</b>		<b>Liabilities &amp; Equity</b>	
Current Assets		Current Liabilities	
Cash	215,000	Account Payable	535,000
Account Receivables	506,000	Notes Payable	1,495,000
Inventory	740,800	Total	2,030,000
Total	1,461,800		
		Long-term Debt	3,800,000
Fixed Assets		Equity	
Machinery, building, etc (net)	12,561,000	Common Stock	1,250,000
		Retained Earnings	6,942,800
<b>Total Assets</b>	<b>14,022,800</b>	<b>Total liabilities &amp; equity</b>	<b>14,022,800</b>

### Income Statement Darkhound Corp. (Rp 000)

	2011
Sales	15,250,000
COGS	12,000,000
Other expenses	750,000
Depreciation	600,000
Earning before interest & taxes	1,900,000
Interest expense	150,000
Earning before taxes	1,750,000
Taxes (40%)	700,000
Net income	1,050,000
Dividend	472,500
Retained earnings	577,500

## Problem 5 (25%)

MMCC is valuating new electrical products feasibility. It aimed to anticipated rising number of home composters, based in conversation with buyer, below is the sales per unit projection:

Year	Unit Sales	MACRS depreciation rate
1	3000	20.00%
2	5000	32.00%
3	6000	19.20%
4	6500	11.52%
5	6000	11.52%
6	5000	5.76%

- Selling price: \$120/unit for the first three years, and \$110 for the next year, starting from year 4.
- Starting NWC: \$20.000 at the beginning of the project. yearly NWC is counted as 15% from yearly sale.
- Variable cost: \$60/unit during 6 year project life
- Fixed cost: \$25.000/year during 6 year project life.
- Capital Equipment Cost: \$830.000
- Depreciated rate: ACRS; 5 year property class.
- Equipment salvage value is 20% from purchasing value of fixed asset, or \$160.000 in year 6.
- Corporate tax is 34%
- Company required return is 15%

Based on previous data, determine:

1. Net present value
2. Profitability index
3. Internal rate of return
4. Is the project feasible to be executed?