

# Model Test of HSC Examination 2016 for All Board

Subject: Finance, Banking and Insurance 1<sup>st</sup> paper (Creative)

Subject Code: 292

Time : 2 Hours 10 minutes

Full Marks: 60

**Answer any 6 questions:**

1. Mr. Jaisil has a stationary shop. He is an only one owner of this shop. For that reason, he bears all profit & loss. He has different types of goods that is sell to customers. He holds different categories of product for minimizing risk.
  - a) What is the ultimate goal of a firm? 1
  - b) What do you mean by partnership business? 2
  - c) According to stem, which type of business is Mr. Jaisil? Explain. 3
  - d) Which principle does Mr. Jaisil follow for development of business? Show your arguments. 4
2. Share markets plays an important role in the economy of a country. There are two share markets in Bangladesh. Daily trading of this market are huge. Those two markets are controlled by a govt institution. This institution is trying to increase trade and commerce. Besides insurance companies also playing important role in economic development. A govt. organization controls all insurance companies.
  - a) What is capital market? 1
  - b) What do you mean by Non-bank financial institution? 2
  - c) Which stock exchange is mention in this stem? Explain. 3
  - d) "Two organizations are controlled by a govt organization." Which govt. organization is mentioned in this stem? Explain with logic. 4
3. Md. Amin wants to deposit Tk 3,00,000 in Blue Bank which is double after 5 years. On the other hand, Chandra Roy wants to buy a car after 5 years. In that time, the price of this car will be Tk 30,00,000. For this reason, he wants to deposit a certain amount of money at the end of each year for 5 years. Silver Bank proposes to provide 10% compount interest rate per annum. IFIC bank offer to provide 8% (Compounded semi annually).
  - a) What is inflation? 1
  - b) What is opportunity cost? Explain. 2
  - c) Calculate the interest rate of deposited money of Blue Bank? 3
  - d) In which bank, Chandra Roy will deposit his money? Explain mathematically. 4

4. Earning Before Interest and Tax (EBIT) of Akiz Ltd. in 2015 was Tk 40,00,000 and depreciation was Tk 4,00,000. Corporate tax rate in 40% comparative changes of current asset, current liabilities and fixed asset in 2015 are as follows:

Particulars	2015	2014
Net fixed asset	40,00,000	30,00,000
Current asset	20,00,000	10,00,000
Creditors	2,50,000	2,00,000
Accrued expense	60,000	40,000

- a) What is cash flow? 1
- b) What is break even analysis? Explain. 2
- c) From above stem, calculate (i) Cost of capital (ii) investment in net current asset. 3
- d) Evaluate the amount of free cash flow of Akiz Ltd. in 2015. 4
5. Bizu company is a trader of watch. This company sells pieces of watch every year. Carrying cost and buying cost of each watch are Tk 1 and Tk 2,000 respectively. Per order cost is tk 50. On the other hand, Raka company sells 15,000 pieces of watch every year. Per order cost is tk 60 and carrying cost is tk 2.
- a) What is warehouse receipt loan? Explain. 1
- b) What is mid term finance? 2
- c) According to the stem, calculate the Economic Order of Quantity (EOQ) of Bizu company. 3
- d) According to the stem, mathematically compare and explain the total inventory cost of Bizu & Raka company.
6. Mr. Aunshu is interested to invest in the following bond market. He considers the following two bonds for investment.

Company	Face value	Coupon rate	Duration	Market Value
IDLC	Tk 15,0000	16%	12 years	Tk 1,500
REL	tk 15,000	—	7 years	Tk 800

Expected rate of return of Mr. Ausghu is 10%. He invests in bond issued by IDLC company Ltd.

- a) What is discount? 1
- b) What do you mean by owner's equity? Explain. 2
- c) Determine the present value of bond issued by RFL company. 3
- d) Based an intrinsic value of bond, evaluate the logic behind investment decision of Aungshu. 4
7. Capital structure of Bata company is as follow:

Particulars	Amount (Tk)
Debenture 15%	10,00,000
Preferred share 10%	3,00,000
Common share	12,00,000
	<u>25,00,000</u>

Current value of common share of the company is Tk 150. At present it provides dividend per share of tk 20. Dividend growth rate is 5% and corporate tax rate is 35%. Company's weighted average cost of capital is 15.45%, company has decided to collect tk 6,00,000 by issuing debenture at 15% for 12 years. Face value of debenture is Tk 1200 and Flootation cost is 3%.

- a) What is CAPM? 1
- b) Explain the relationship between risk & return. 2
- c) Calculate the cost of common share of Bata company. 3
- d) Do you think, decision of collecting more capital by issuing debenture influence on weighted average cost of capital? Show your opinion with mathematical analysis. 4

8. Mr. Masum is deciding to invest in two projects A & B. Details explanation of these project are as follows-

Initial investment  
Project A : Tk 80,000  
Project B : Tk. 80,000

Year	Project A	Project B
	Net profit after tax	Net profit after tax
1	10,000	15,000
2	16,000	20,000
3	12,000	10,000

Expected rate of return of Mr. Masum is 15%.

- a) What is pay back period? 1
- b) How can you calculate the internal rate of return? 2
- c) According to the stem, determine the pay back period. 3
- d) Which one is more acceptable between two project. Give opinion based on NPV. 4

9. Detail explanation of two stock's income related information are as follows:

Economic condition	Project-x		Project Y	
	Rate of Return	Probability	Rate of Return	Probability
Bad	-10%	0.30	-8%	0.30
Normal	20%	0.30	15%	0.30
Good	30%	0.30	25%	0.30

- a) What is portfolio? 1
- b) How is financial risk created? Explain. 2
- c) Calculate the standard deviation for project x. 3
- d) Which project is good for investment? Why? Logically explain. 4

Time : 40 Minutes

Full Marks : 40

[ N.B. Fill the circle of the correct answer with a black ball point pen. Each question bears 1 mark. ]

- The difference between present value of income and present value of expense is called—  
 (a) wealth maximization (b) Profit maximization  
 (c) Business finance (d) Non business finance
  - Which of the following does not consider the time value of money?  
 (a) wealth maximization  
 (b) Profit maximization  
 (c) Business finance  
 (d) Non business finance
  - Which institution is responsible for controlling micro-credit?  
 (a) MCA (b) SEC  
 (c) DSE (d) CSE
  - Which of the following market is controlled by security exchange commission?  
 (a) Money market (b) capital market  
 (c) Gold market (d) silver market
  - Time line determines—  
 (a) Time value of money (b) Asset  
 (c) Income (d) Expense
  - Rule-72 is used in—  
 (a) Double (b) Three times  
 (c) Four times (d) Equal amount
- Read the following stem and answer the question 7 and 8 no below:**  
 Mithu azim deals in fruit. He decides to invest in business and seeks financial support from his friend. He is thinking of minimization risk.
- The market price of a share of common stock is determined by—  
 (a) The board of directors of the firm  
 (b) The stock exchange on which the stock is listed  
 (c) The president of the company  
 (d) Individuals buying and selling the stock
  - How Mithu Aim can minimize his risk?  
 (a) Banking (b) insurance  
 (c) Transportation (d) Storage
  - Who determine highest interest rate?  
 (a) Bangladesh Bank (b) Merchant Bank  
 (c) Investment Bank (d) Pubali Bank
- Find the compound value of the 10000 for 4 years at 5% per annum?  
 (a) 12250 (b) 12155  
 (c) 12677 (d) 12130
- Read the following stem and answer the question below (11-12):**  
 Shipon Islam is a businessman is Sylhet. He wants to buy a Television. He decides to take loan from a Bank at the interest rate of 15%. He has to pay installment of 1500 per month for 10 months.
- Shipon Islam was included to which policy by bank?  
 (a) consumer loan (b) Housing loan  
 (c) Investment loan (d) Car loan
  - What is the present value of purchased television?  
 (a) 7228 (b) 7528 (c) 7258 (d) 7825
  - How many financial statement are prepared by public limited company?  
 (a) 4 (b) 5 (c) 6 (d) 7
  - What is included generally in Balance sheet?  
 (a) Asset and liabilities  
 (b) Income and expense  
 (c) Profit and loss (d) Expense
  - Which is related with cash-flow statement?  
 (a) operating activities (b) income  
 (c) Expense (d) Asset
  - Any business retained earning is—  
 (a) Asset (b) Liabilities (c) Capital (d) Expenditure
  - The liquidity risk is highest in—  
 (a) Short term finance (b) Mid-term finance  
 (c) Ling term finance (d) Short-mid term finance
- Read the following stem and answer them 18 and 19.**  
 BD food Ltd received 10 Lac taka from Dhaka bank for 1 year at a rate of 12% interest. The interest of loan witch will be deducted immediately.
- The method followed in passages is—  
 (a) Simple interest method  
 (b) Discounting method  
 (c) Compounding interest method  
 (d) Installment method

19. If interest is deducted before providing the loan then real interest rate would be—  
 (a) Higher (b) Lesser  
 (c) some (d) both can be happened
20. Any business retained earnings is—  
 (a) Asset (b) Liabilities  
 (c) capital (d) expenditure
21. The benefit of long term capital is—  
 (a) Renewable (b) Tax advantage  
 (c) Flexibility (d) Quick procedure
22. Why overall risk is depend on total risk?  
 (a) Market risk (b) Avoidable risk  
 (c) Financial risk (d) Business risk
- Read the following stem and answer the question no 23 & 24:**  
 Mr. Karim wants to start a new venture in the market. He needs capital, land, labor and furniture for his new venture.
23. What type of financing policy Mr. Karim takes to meet his business need?  
 (a) Middle term (b) Short term  
 (c) Ling term (d) Current Asset Financing
24. The financing process discussed in the passage is—  
 i) investors capital  
 ii) Indirect Investment by the owner  
 iii) collecting investor's capital by forming partnership  
**Which is correct ?**  
 (a) i & ii (b) i & iii  
 (c) ii & iii (d) i, ii & iii
25. The cost occurred for alternative project is called—  
 (a) Historical cost (b) Future cost  
 (c) Implicit cost (d) Explicit cost
26. Where personal tax is not applicable?  
 (a) Common stock (b) Pre preferred stock  
 (c) Debenture (d) Retained earning
27. What is the first step of capital budgeting?  
 (a) Project identification  
 (b) Project evaluation  
 (c) Project selection  
 (d) Follow up
28. Which one is terminal cash flow?  
 (a) Seraph value  
 (b) Purchase of land  
 (c) Sell of land  
 (d) Spending in building and fixture
29. Business risk is depended on which of following policy?  
 (a) capital structure policy (b) Investment policy  
 (c) purchase and sell policy  
 (d) Earning policy
30. The relation between risk and return is—  
 (a) Positive (b) Negative  
 (c) Positive and negative (d) No relation at all
- Read the following passages and answer the question no 31 and 32.**  
 Mr Jafor wants to invest in several profitable projects instead of investing in one single share.
31. What is meant by portfolio investment?  
 (a) Sum of investment in various company  
 (b) Sum of income of various company  
 (c) Sum of risk of various share  
 (d) Weight of total share
32. What is the main objective of creating portfolio investment?  
 (a) increase total income  
 (b) Increase total investment cost  
 (c) Decrease total risk  
 (d) Increase total investment
33. The effect of portfolio management on risk is—  
 (a) Reduced (b) Increased  
 (c) No change at all (d) Increase total income
34. Which one is easy to calculate?  
 (a) Payback period (b) Net present value  
 (c) Internal rate of returns  
 (d) Discounted payback period
35. All types of past expenses are called—  
 (a) Historical cost (b) Future cost  
 (c) Specific cost (d) Explicit cost
36. Who bear the cost of trade credit?  
 (a) customer (b) seller (c) leader (d) producer
37. Which one is an element of inventory management?  
 (a) Raw materials (b) Machineries  
 (c) Furniture and fixture (d) Building
38. Generally financial statement is made for—  
 (a) 1 year (b) 2 year (c) 3 year (d) 4 year
39. Present value of received amount in future is called—  
 (a) Present value (b) Future value  
 (c) Annuity (d) Asset
40. Security exchange commission was established according to the ordinance of?  
 (a) 1947 (b) 1969  
 (c) 1971 (d) 1991