

Course Title: Financial Management  
Date: 10/11/2013  
No. of Questions: (3)  
Time: 1 hour  
Using Calculator (Yes)

University of Palestine



Midterm Exam.  
1<sup>st</sup> Semester 2013/2014  
Total Grade: 20

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Student Name: \_\_\_\_\_  
College Name: \_\_\_\_\_  
Dep. / Specialist: \_\_\_\_\_  
Using Dictionary (No)

Answer the following five questions:

**Q.1: True or False** **6 marks**

- 1- Corporations can do actions such as attempting to form monopolies or violating safety codes as these actions can maximize the wealth of owners ( )
- 2- An annuity is defined as a series of equal periodic payments (PMT) for a specified number of equal periods ( )
- 3- Most bonds are owned by and traded among individual investors ( )
- 4- The present value of a future sum decreases as either the discount rate or the number of discount periods per year increases ( )
- 5- When yield to maturity ( $r_d$ ) rises above the coupon rate, the bond's value fall below par, so it sells at a discount ( ).
- 6- A call provision is valuable to the firm but potentially detrimental to investors ( )

**Q.2 Answer two of the following questions** **4 marks**

- 1- What are the three principal forms of business organizations? What are the advantages and disadvantages of Corporation?
- 2- What is the goal of the firm in your opinion and what are the shortages of maximizing profit as a goal?
- 3- Find the Effective Annual Rate for a nominal rate of 12%, compounded quarterly?

**Q.3: Mini cases: Answer the following questions** **10 marks**

- Set up an amortization schedule for a \$25,000 loan to be repaid in equal installments at the end of each of the next 5 years. The interest rate is 10%. **(4 marks)**
- Renfro Rentals has issued bonds that have a 10% coupon rate, payable annually. The bonds mature in 8 years, have a face value of \$1,000, and a yield to maturity of 8.5%.
  - a. What is the price of the bond? **(3 marks)**
  - b. Find the current yield and capital gains or losses yield **(3 marks)**.
  - c. What is the price of the bond if the interest paid semiannually? **(bonus 2 marks)**