

Course No: ACNE 2305 – MGNE 2305
Course Title: Financial Management
Date: ---/11/2017
No. of Questions: (4)
Time: 1 hour
Using Calculator (yes)

University of Palestine



Second Mid-term Exam
1st Semester 2017/2018
Total Grade: 15

Instructor Name: Dr. Khaled Eissa
Mr. Youssef El-Mdallel
Mr. Tarek AbuAl-Ageen

Student No.: _____

Student Name: _____

College Name: Business Administration

Question 1: True or False: (3 marks)

1. An annuity is defined as a series of equal periodic payments (PMT) for a specified number of equal periods. ()
2. Most bonds are owned by and traded among individual investors ()
3. The present value of a future sum decreases as either the discount rate or the number of discount periods per year increases ()
4. When the market going interest rate (r_d) rises above the coupon rate, the bond's value fall below par, so it sells at a discount ()
5. A zero coupon bond is a bond that pays no interest and is offered (and subsequently sells) at par, therefore providing compensation to investors in the form of capital appreciation. ()
6. If a bank uses quarterly compounding for savings accounts, the nominal rate will be greater than the effective annual rate. ()

Question 2: Answer two of the following questions: (4 marks)

1. Find the Effective Annual Rate for a nominal rate of 12%, compounded quarterly?
2. 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 8%.
3. You can earn 8 percent interest, compounded annually. How much must you deposit today to withdraw \$10,000 in 6 years?

Question 3: (4 marks)

The Renfro Rentals bonds were sold at par (\$1,000), had a 10% coupon rate payable annually, and matured in 8 years; the market interest rate now is 8.5%.

- a) Calculate the price of the bond?
- b) Find the current yield and capital gains.

Question 4: (4 marks)

The real risk-free rate of interest is 4%. Inflation is expected to be 2% this year and 4% during the next 2 years. Assume that the maturity risk premium is zero. What is the yield on 2-year Treasury securities? What is the yield on 3-year Treasury securities?

<<< **Good Luck** >>>