Course Title: Financial Management
Date: 01/11 /2012
No. of Questions: (3)
Time: 1 hours
Using Calculator (Yes)

University of Palestine

Midterm Exam.
1st Semester 2012/2013
Total Grade: 20

Instructor Name: Yousef El-Mudallal
Student Name: _______________
College Name: _______________
Dep. / Specialist: _____________
Using Dictionary (No)

Answer the following five questions:

Q.1 : True or False **4 marks**

1- When yield to maturity (r_d) rises above the coupon rate, the bond's value rises above par, so it sells at a premium ( ).
2- A call provision is valuable to the firm but potentially detrimental to investors( )
3- A call provision gives bondholders the right to demand, or "call for," repayment of a bond ( ).
4- For bonds, price sensitivity to a given change in interest rates generally increases as years remaining to maturity increases ( ).
5- For bonds, price sensitivity to a given change in interest rates generally increases as years remaining to maturity decrease ( ).
6- There is an inverse relationship between bond ratings and the required return on a bond ( )

Q.2 Answer two the following questions **5 marks**

1- What are the aspects of cash flows that affect an investment's value?
2- What is *sinking fund* and how can the companies implement it?
3- Define Three of the following terms
   1- Corporation.
   2- Ordinary annuity
   3- IPO.
   4- CFO

Q.3: Mini cases : Answer the following questions **11 marks**

1. Suppose Ford Motor Company sold an issue of bonds with a 10-year maturity, a $1,000 par value, a 10 percent coupon rate, and semiannual interest payments.
   a. Two years after the bonds were issued, the going rate of interest on bonds such as these fell to 6 percent. At what price would the bonds be sold?
   b. Suppose that, 2 years after the initial offering, the going interest rate had risen to 12 percent. At what price would the bonds be sold?
2. You want to buy a car, and a local bank will lend you $20,000. The loan would be fully amortized over 5 years, and the nominal interest rate would be 12% .
   a. What is the monthly loan payment?
   b. If the interest would be paid monthly, What was the loan's EFF%?
3. Find the future value of the following annuities.
   a. $400 per year for 10 years at 10% at the end of Year
   b. $200 per year for 5 years at 5% at the beginning of Year

Good Luck