

Course Title: ACC 2304, MAN 3304  
Advanced Financial Management  
Date: 10/ 11 / 2013 (09:00 -  
10:00)  
No. of Questions: 5 Questions  
Time: 1 hour

University of  
Palestine



Midterm Exam  
First semester  
2013/2014  
Total Grade: 100

Instructor Name: Mohammed Bahloul  
Student No.: \_\_\_\_\_  
Student Name: \_\_\_\_\_  
College Name: Business  
Dep. / Specialist: \_\_\_\_\_

**First Question**

**Multiple Choice**

**12 Points**

1. Last year, Blanda Brothers had positive net cash flow, yet cash on the balance sheet decreased. Which of the following could explain the company's financial performance?
  - a. The company issued new common stock.
  - b. The company issued new long-term debt.
  - c. The company sold off some of its assets.
  - d. The company purchased a lot of new fixed assets.
  - e. The company eliminated its dividend.
  
2. Which of the following items can be found on a firm's balance sheet listed as a current asset?
  - a. Accounts receivable.
  - b. Depreciation.
  - c. Accrued wages.
  - d. Statements a and b are correct.
  - e. Statements a and c are correct.
  
3. Which of the following alternatives could potentially result in a net increase in a company's cash flow for the current year?
  - a. Reduce the days sales outstanding ratio.
  - b. Increase the number of years over which fixed assets are depreciated.
  - c. Decrease the accounts payable balance.
  - d. Statements a and b are correct.
  - e. All of the statements above are correct.
  
4. Which of the following statements is most correct?
  - a. If companies have fewer productive opportunities, interest rates are likely to increase.
  - b. If individuals increase their savings rate, interest rates are likely to increase.
  - c. If expected inflation increases, interest rates are likely to increase.
  - d. All of the statements above are correct.
  - e. Statements a and c are correct.
  
5. Which of the following is likely to increase the level of interest rates in the economy?
  - a. Households start saving a larger percentage of their income.
  - b. Corporations step up their plans for expansion and increase their demand for capital.
  - c. The level of inflation is expected to decline.
  - d. All of the statements above are correct.
  - e. None of the statements above is correct.

Course Title: ACC 2304, MAN 3304  
Advanced Financial Management  
Date: 10/ 11 / 2013 (09:00 - 10:00)  
No. of Questions: 5 Questions  
Time: 1 hour

University of  
Palestine



Midterm Exam  
First semester  
2013/2014  
Total Grade: 100

Instructor Name: Mohammed Bahloul  
Student No.: \_\_\_\_\_  
Student Name: \_\_\_\_\_  
College Name: Business  
Dep. / Specialist: \_\_\_\_\_

6. At the beginning of the year, Gonzales Corporation had \$100,000 in cash. The company undertook a major expansion during this same year. Looking at its statement of cash flows, you see that the net cash provided by its operations was \$300,000 and the company's investing activities required cash expenditures of \$800,000. The company's cash position at the end of the year was \$50,000. What was the net cash provided by the company's financing activities?
- a. \$350,000
  - b. \$400,000
  - c. \$300,000
  - d. \$450,000
  - e. \$500,000

**Second Question**

**True or False**

**8 Points**

- 1.( ) The higher the risk, the lower the rate of return
- 2.( ) T-bills are risk free
- 3.( ) Capital markets relate to the market where interest rates are determined
- 4.( ) The annual report has two kinds of information
- 5.( ) Free cash flow is the amount of cash that can be withdrawn from a firm without harming its ability to operate.
- 6.( ) DSO is calculated by dividing sales by inventories
- 7.( ) The market price and the book price of a stock are always equal
- 8.( ) The analysis of the financial statements are done by the managers

**Third Question**

**Answer the following Questions**

**24 Points**

1. List the alternative Forms of Business Organization.

---

---

---

---

---

---

Course Title: ACC 2304, MAN 3304  
Advanced Financial Management  
Date: 10/ 11 / 2013 (09:00 - 10:00)  
No. of Questions: 5 Questions  
Time: 1 hour

University of  
Palestine



Midterm Exam  
First semester  
2013/2014  
Total Grade: 100

Instructor Name: Mohammed Bahloul  
Student No.: \_\_\_\_\_  
Student Name: \_\_\_\_\_  
College Name: Business  
Dep. / Specialist: \_\_\_\_\_

2. What are the four factors those affect the cost of money?

---

---

---

---

---

---

3. What is the difference between the current and the quick ratio?

---

---

---

---

---

---

4. What are the four basic financial statements provided by the annual report? Explain two of them?

---

---

---

---

---

---

**Fourth Question**

**Define each of the following**

**6 Points**

1. Real Risk-Free rate

---

---

---

---

2. IP (inflation Premium)

---

---

---

---

Course Title: ACC 2304, MAN 3304  
Advanced Financial Management  
Date: 10/ 11 / 2013 (09:00 -  
10:00)  
No. of Questions: 5 Questions  
Time: 1 hour

University of  
Palestine



Midterm Exam  
First semester  
2013/2014  
Total Grade: 100

Instructor Name: Mohammed Bahloul  
Student No.: \_\_\_\_\_  
Student Name: \_\_\_\_\_  
College Name: Business  
Dep. / Specialist: \_\_\_\_\_

**Fifth Question**

**10 Points**

Giving the following information, calculate the DRP for each corporate

	<u>Rate</u>	<u>DRP</u>
T bill	5.0%	_____
corporate A	5.7%	_____
corporate B	5.9%	_____
corporate C	6.3%	_____