

YOUR NAME _____

EXAM 1 FINC 4531

FALL 2002

YOU HAVE 75 MINUTES TO COMPLETE BOTH PARTS OF THIS EXAM

Instructions:

- 1) The portion of the exam is closed book and closed notes
- 2) Choose the best answer. If you do not understand a question, ask me to explain the question.
- 3) Questions are worth the point values listed.

1. (8 points) The BEST goal of the financial manager should be to:

- a. To maximize the company's profit.
- b. To maximize the company's operating cash flow.
- c. To minimize the company's coefficient of variation.
- d. To maximize the shareholders' wealth.
- e. To minimize firm beta.

2. (7 points) What is meant by the term "agency problem"?

3. (30 points, 5 points for format of statements and 25 points for the missing numbers) Place the below information into a correctly formatted Income Statement and Balance Sheet. Then fill in the missing numbers. If you cannot solve for a number, use \$50,000 for a plug figure.

RETAINED EARNINGS _____ TOTAL EQUITY \$1,552,352 NET FIXED ASSETS \$ 817,040 TOTAL ASSETS
_____ EARNINGS BEFORE TAXES \$ 422,640 TAXES 169,056 ACCOUNTS PAYABLE 436,800 NOTES
PAYABLE 600,000 ACCRUALS _____ TOTAL CURRENT LIABILITIES \$1,444,800 CAPITAL LEASE
PAYMENTS 40,000 SINKING FUND PAYMENTS 0 TOTAL LIABILITIES AND EQUITY \$3,497,152 SALES
\$7,035,600 ACCOUNTS RECEIVABLE _____ INVENTORIES 1,716,480 NET INCOME _____ EPS
\$1.014 DPS \$0.220 SHARES OUTSTANDING 250,000 TOTAL CURRENT ASSETS _____ GROSS FIXED
ASSETS _____ LESS ACCUMULATED DEPRECIATION 380,120 COST OF GOODS SOLD 5,728,000
RENTAL EXPENSE 300,000 CASH 14,000 SHORT-TERM INVESTMENTS 71,632 EBIT _____ INTEREST
EXPENSE 88,000 LONG-TERM DEBT _____ COMMON STOCK 1,680,936 ADMINISTRATIVE EXPENSES
340,000 DEPRECIATION _____

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- 1) The part of the exam is open book and open notes.
- 2) Point values are listed with the question.

Use the following information for the the four parts of question 1.

Butterfingers Company		
Balance Sheets Dec. 31, 2000 and Dec. 31, 2001		
	<u>2000</u>	<u>2001</u>
Cash	1,200	1,900
Accounts receivable	2,000	2,500
Inventories	<u>3,600</u>	<u>3,900</u>
Total current assets	6,800	8,300
Gross Fixed Assets:	15,000	17,400
Less Acc Depr	1,000	2,600
Net Fixed Assets	<u>14,000</u>	<u>14,800</u>
Total assets	20,800	23,100
Accounts payable	2,500	3,700
Accrued Expenses	<u>500</u>	<u>1,000</u>
Total current liabilities	3,000	4,700
Long term debt	5,000	5,000
Common stock	10,000	10,000
Retained earnings	<u>2,800</u>	<u>3,400</u>
Total liabs. and equity	20,800	23,100

Additional data from the income statements:

	<u>1998</u>	<u>1999</u>
Sales	9,200	9,650
Depreciation	1,400	1,600
Net income	1,500	1,800
2002 expected Sales growth rate	4.5%	

1a. Calculate Butterfinger's 2001 cash flow from investing activities: (13 points)

1b. Calculate Butterfinger's 2001 Day's Sales Outstanding? Is the ratio improving or getting worse? (6 points)

1c. Calculate Butterfinger's 2001 ROE? (3 points)

1d. Calculate Butterfinger's Debt Ratio? (3 points)

2. Complete Problem 20-10, part A only, on page 733 of the textbook (30 points).