

FIN622 MidTerm Fall 2010 unsolved (subjective portion)

Paper shared by Bookworm

Aoa every1 . I attempted my fin622 today which was very easy as per my expectations & m very happy today. All mcq were from past pprs & quiz files.one new mcq which i can recall is as follows:

which company is engaged in pure play in the market?

coca cola

pepsi

shezan

nestle

i selected shezan...plz someone comment whether its right or wrong

Subjective Q were as follows:-

Q1. How PI is used in capital budgeting decisions. 3marks

Q2. A company has 800,000 12% debt financing. Calculate PV of tax benefit if tax rate is 40%. By how much tax benefit would change if tax rate decreases to 30%. 3marks

Q3.how much debt financing should be done for a firm which

1. Pays higher taxes

2. Pays no taxes 5marks

Q4. Stock A & B have beta of 1.5 & 0.75 respectively. Risk free rate is 7% & average return rate is 13%.

By how much required risk of higher risky stock is greater than of lower risky stock? 5marks