GROUP A

1. The 2018 balance sheet of SAM Ltd, showed long-term debt of 2.225.000 TL, and the 2019 balance sheet showed long-term debt of 2.525.000 TL. The 2019 income statement showed an interest expense of 350.000 TL. what was the firm’s cash flow to creditors during 2019?
2. Calculate the payback period for each project. Which project is better according to payback period?

|  |  |  |
| --- | --- | --- |
| Year | Project A | Project B |
| Year 0 | −20.000 | −20.000 |
| Year 1 | 5.500 | 7.000 |
| Year 2 | 5.500 | 3.000 |
| Year 3 | 5.500 | 4.500 |
| Year 4 | 5.500 | 2.500 |
| Year 5 | 5.500 | 5.000 |

1. Calculate the Net Present Value of the following Project X and Y for discount rates of 12%. And also calculate the Profitability Index for each investment. Which Project shold you take?

|  |  |  |
| --- | --- | --- |
| Cash Flows | Investment X | Investment Y |
| Year 0 | −2000 TL | −1000 TL |
| Year 1 | 1200 | 200 |
| Year 2 | 800 | 600 |
| Year 3 | 1000 | 1300 |

1. Medco Corporation has a systematic risk of 0,9. The market risk premium is 7% and the risk-free rate is 8%. The yield on the company’s debt is 5%, and the firm has a 21% marginal tax rate. Long term debt of firm is 4,000,000 TL and equity is 8,000,000 TL. What is the Weighted Average of the company?
2. Which capital budgeting methods consider time value of money?

GROUP B

1. Calculate the payback period for each project. Which project is better according to payback period?

|  |  |  |
| --- | --- | --- |
| Year | Project A | Project B |
| Year 0 | 20.000 | 20.000 |
| Year 1 | 5.500 | 4000 |
| Year 2 | 5.500 | 7000 |
| Year 3 | 5.500 | 5.500 |
| Year 4 | 5.500 | 4.500 |
| Year 5 | 5.500 | 5.000 |

1. Medco Corporation has a systematic risk of 0,9. The market risk premium is 7% and the risk-free rate is 8%. The yield on the company’s debt is 6%, and the firm has a 21% marginal tax rate. Long term debt of firm is 3,000,000 $ and equity is 6,000,000 $ What is the Weighted Average of the company?
2. Calculate the Net Present Value of the following Project X and Y for discount rates of 12%. And also calculate the Profitability Index for each investment. Which Project shold you take?

|  |  |  |
| --- | --- | --- |
| Cash Flows | Investment X | Investment Y |
| Year 0 | −1000 TL | −500 TL |
| Year 1 | 700 | 200 |
| Year 2 | 300 | 400 |
| Year 3 | 300 | 100 |

1. Which capital budgeting methods **do not** consider time value of money?
2. The 2018 balance sheet of SAM Ltd, showed long-term debt of 1.250.000 TL, and the 2019 balance sheet showed long-term debt of 1.600.000 TL. The 2019 income statement showed an interest expense of 90.000 TL. what was the firm’s cash flow to creditors during 2019?