

Seminar week 9 - solution

1. C
2. B
3. A
4. C
5. B
6. C
7. B
12. A
13. A
14. C
15. A
16. C
17. B
18. A
19. see below
20. A
21. see below
22. C
23. B
24. B

Solution 19

Q = 100,000

P = 52

Total Assets = 12,000,000

Total Liabilities = 7,500,000

NI = 2,000,000

Book value of Equity = ???

Book Value of Equity = TA - TL = 12,000,000 - 7,500,000 = 4,500,000

Book Value of Equity per share = 4,500,000/100,000 = 45

Price = market value of equity per share vs. BVPS = Book (accounting) value of equity per share

52 vs. 45

Market capitalization = market value of equity vs. Book (accounting) value of equity

5,200,000 vs. 4,500,000

Solution 21

Sales = 2,500,000

Net Income = 2,000,000
Total Assets = 50,000,000
Total Liabilities = 35,000,000
Q = 1,000,000
P = 20

ROE = ???

ROE=NI/Book Value of Equity
Book Value of Equity = TA - TL
Book Value of Equity = 50,000,000 - 35,000,000 = 15,000,000

ROE = 2,000,000/15,000,000 = 0.133 -> 13.3 percent

Or

NI per share = 2,000,000/1,000,000 = 2
BV per share = 15,000,000/1,000,000 = 15

ROE = 2/15 = 0.133 ->13.3 percent