

THE HONG KONG POLYTECHNIC UNIVERSITY
HONG KONG COMMUNITY COLLEGE

Subject Title : Financial Management

Subject Code : CCN2113

Session : Semester One, 2018/19

Numerical Answers

Question B1

Part I

(a) FVA = \$6,103,226.90

(b) FVA = \$5,459,516.74

Part II

(b) $P_{\text{sold}} = \$871.65$

(c) Selling price: \$1,000
Return = 22.76%

Question B2

(a)(i) $D_1 = \$1.50$

$D_2 = \$1.74$

$D_3 = \$1.914$

$D_4 = \$2.0097$

(a)(ii) $P_3 = \$25.12$

(a)(iii) \$21.43

(b)(i) Dividend yield = 6.72%

(b)(ii) Capital Gain yield = - 4%

(b)(iii) Total Return = 2.72%

Question B3

(a)(i) $W_X = 24\%$

$W_Y = 30\%$

(a)(ii) Percentage weight and dollar amount invested in Stock Z = 21.17%

Dollar investment in Stock Z = \$127,020

(a)(iii) Percentage weight invested in the risk-free asset:

$W_{Rf} = 24.83\%$

Dollar investment in the risk-free asset: \$148,980

Question B4

(a) OCF = \$82,100

(b) Cash flow to creditors = \$42,600

Cash flow to stockholders = \$8,100

Cash flow from assets = \$50,700

- (c) Decrease in net fixed assets = \$20,320
- (d) ROE = 25.4%
ROA = 14.38%
- (e) Internal growth rate: 2.44%

Question B5

- (a) $R_E = 13.975\%$
 $R_P = 6.25\%$
 $R_D = 2.756\%$
- (b) $W_E = 25.40\%$
 $W_P = 9.29\%$
 $W_D = 65.31\%$
- (c) WACC = 5.21%
- (d) NPV(A) = \$550,858.39
NPV(B) = \$744,024.45