



**Required:**

- a. Expected return and risk on Stock A [4]  
 b. Expected return and risk on Stock B [4]  
 c. Covariance and correlation between Stock A and Stock B [2]

4. The balance sheet of ABC Company is given below:

Capital and liabilities	2018 (Rs.)	2019 (Rs.)	Assets	2018 (Rs.)	2019 (Rs.)
Share capital	375000	450000	Machinery net	400000	570000
Share premium	37500	45000	Furniture net	50000	30000
Loan	75000	37500	Stock	37500	75000
Outstanding wages	7500	6000	Debtors	110500	74000
Creditors	105000	136500	Prepaid insurance	2000	1000
Retained earning	75000	112500	Cash	75000	37500
	675000	787500		675000	787500

Additional information:

Sales for the current year Rs. 380000

Cost of goods sold Rs. 190000

Administrative expenses Rs. 75000

Purchase of machinery Rs. 230000

Furniture costing Rs. 15000 was sold at Rs. 17500

Dividend paid Rs. 15000

**Required:** Cash Flow Statement [10]

5. You are a financial analyst for the Mechi Tea Factory. The director of capital budgeting has asked you to analyze two proposed capital investments: Project X and Project Y. Each project has a cost of Rs. 100000 and the cost of capital for each project is 10%. The expected net cash flows are as follows:

year	0	1	2	3	4
Project X	Rs.(100000)	35000	35000	35000	35000
Project Y	Rs. (100000)	30000	40000	25000	35000

- a. Evaluate the projects on the basis of Net present Value. [4]  
 b. Calculate internal rate of return of project X and project Y [6]

**OR**

Define financial intermediary and describe the different types of financial intermediaries. [10]

**The End**