

# [Finance homework chapter 04](https://assignbuster.com/finance-homework-chapter-04/)

EMBA 503, Financial Management Homework Assignment: Chapter Four YOUR FULL YOUR INSTITUION OR SCHOOL   Homework Assignment: Chapter Four
Problem 9: M/B and share price – You are given the following information: Stockholder’s equity = $3. 75B; price/earnings ratio = 3. 5; common shares outstanding = 50MM; and market/book ratio = 1. 9. Calculate the price of a share of the company’s common stock.
Book Value per Share = Common Equity/Shares Outstanding = $3. 75B/50MM = $ 75. 00
Market/Book Ratio = 1. 9
Market Price = BV\*M/B = $142. 50
Problem 10: Ratio Calculations – Assume you are given the following relationships for the Brauer Corp.: Sales/total assets = 1. 5X; ROA = 3%; ROE = 5%. Calculate Brauer’s profit margin and debt ratio.
Profit Margin:
ROA = Profit Margin\*(Sales/total assets) = [. 03 = x\*(1. 5)] = Profit Margin = . 03/1. 5 = . 02 = 2%
Debt Ratio:
ROE = ROA\*Equity Multiplier = [. 05 = . 03\*x] = Equity Multiplier = . 05/. 03 = 1. 66
Debt Ratio = 1-(1/Equity Multiplier) = 1-(1/1. 66) = . 40 = 40%
Problem 19: Current Ratio – The Petry Company has $1, 312, 500 in current assets and $525, 000 in current liabilities. Its initial inventory level is $375, 000, and it will raise funds as additional notes payable and use them to increase inventory. How much can its short-term debt (notes payable) increase without pushing its current ratio below 2. 0?
Current ratio before debt: CR = Current assets/Current liabilities = $1, 312, 500/$525, 000 = 2. 5
Short-term debt cap for CR of