

FIN 3424 SPRING 2006

INTERMEDIATE FINANCE- TAKE HOME EXAMINATION

Name: _____(Please Print)
Panther ID: _____
E-mail: _____

PLEASE FOLLOW INSTRUCTIONS CAREFULLY

The exam is due on Monday, April 17, 2006 by 5 p.m.

INSTRUCTIONS

(Please check each box if you have followed the directions)

- You must print your name and student number above.
- Write your answers **LEGIBLY** to the exam in the space provided.
- The answers must have the formula being used to solve and the values that go in to the formula to be considered for full credit.
- Answers that contain ONLY CALCULATOR SOLUTION will be awarded only **20%** credit even though the answer might be correct.
- All questions pertaining to the exam should be asked during class hours so it is fair to all students.
- Failure to follow instructions will result in a 10-point deduction from your exam.
- You submit in your exam (or hand delivery it) by 5 p.m. on Monday, April 17, 2006. Absolutely, no late exams will be accepted for whatever reason. If you do not submit in your exam by 5p.m., I will assume your grade to be ZERO in the final exam. If you want to submit the exam in person, please do so at

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TAKING THE EXAMINATION PRESUPPOSES THAT YOU WILL OBSERVE THE HIGHEST DEGREE OF ETHICAL CONDUCT AND WILL NOT CHEAT OR HELP IN CHEATING OTHER STUDENTS.

SIGNATURE: _____

Problems 1 to 12 use the following information: (Review end of chapter problems in Chapter 3)
(All the answers in problems 1 to 10 are correct within 10 dollars)

Type of mortgage	FRM
TERM	30 Years
Payment Schedule	Monthly
Loan Amount	\$300,000
ROI	9 percent

1. The 60th payment will be:
2. Mortgage balance remaining after 60th payment will be:
3. Amount of interest expense in the 60th payment is:
4. The principal paid in the 60th payment is:
5. The interest paid up to the 60th payment is:
6. The total principal repaid up to the 60th payment is:

Problems 13 and 14 use the following information: (This is a two step problem. Obtain MBR after 12 years, add the refinancing cost to obtain the answers to the problems – refer to problem # 18)

Mr. I.M. Smart took out a \$160,000 conventional 30 year mortgage, mortgage payments to be made per month, 10 years ago at 10 percent nominal rate of interest. Interest rates have fallen to 8.4 percent and he wishes to refinance the mortgage for the remaining 20 years at a refinancing cost of \$6,000 which he will pay from his personal funds. (all the answers are correct within 10 dollars)

13. The amount to be refinanced is

14. a) The decline in monthly payments if the refinancing is done will be

14. b) Are you better off refinancing? If so, why?

15. Calculate the MB after another 12 years

16. Calculate the Interest Expense for the month of 157th month of the new mortgage

17. Calculate the Principal Payment for the month of 157th month of the new mortgage

Problems 18 to 21 use the following information:

ABC Corporation gets a revolving line of credit of \$100 million for four years from SunBank. A commitment fee of 4 percent is charged on the unused portion and a compensating balance of 8 percent on the unused portion must be kept in the bank as demand deposit. ABC plans to use 80 percent of the credit line on the average. The bank pays five percent on the demand deposits. Assume the reserve requirements to be 15 percent and the bank charges 11 percent on the loan:

18. The cost to the borrower will be:

19. The yield to the bank will be:

20. If the credit line is increased to 150 million dollars the yield to the bank will be

21. If the credit line is increase to 150 million dollars, the cost to the borrower will be;

For the following three problems you will be given credit as follows:

- **Completely correct – 4 points.**
- Correct but mistake in computation – 2 points.
- If you do not know how to do it just writes “I DONT KNOW” and you will get 1 point.
- If you write garbage (or B.S) you get 0 points.

22. You borrowed a bullet loan of \$200,000 at $k=16\%$ for 5 years. Find the repayment schedule
(a) If you repay monthly.

(b) If you repay quarterly.

23. You borrowed a \$200,000 balloon loan at $k=12\%$ for 5 years and decided to pay \$50,000 at the end and amortized the rest. Find the repayment schedule if:

(a) You repay monthly.

(b) You repay quarterly.

24. You borrow a \$300,000 balloon loan at $k=10\%$ for 8 years. You decided to pay \$50,000 at the end of the fourth year, another \$50,000 at the end of the term and amortize the rest. Find the repayment schedule.

(a) You repay monthly.

(b) You repay quarterly.