GRADUATE SCHOOL of BANKING
AT LOUISIANA STATE UNIVERSITY

2016 Bank Study Project
Class of 2017

TREASURY MANAGEMENT
Mark Krawczyk

NOTES:

1. Please use 8 l/2" x 11" paper (or paper folded to that size).
2. Please attach the **Junior Cover Sheet – Class of 2017** from http://www.gsblsu.org/students-4/.
3. Please staple your project or use a binder clip. **DO NOT** use paper clips or any kind of folder or binder.

Complete and mail by November 15, 2016

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Treasury Management Bank Study Project Guidelines
2016 Session
Mark Krawczyk

1. Answer all questions (and all parts of each question) to the best of your ability. Put as many answers to a page as you can reasonably fit. **Remember, you are a banking professional and the expectation is to see a home study project submission that reflects this fact as well as your own professionalism.**

2. Be sure to show your work/calculations as you derive the answers to the questions so that your understanding of the concept(s) involved can be evaluated. **IF YOU DO NOT SHOW YOUR CALCULATIONS/RATIONALE YOU RISK A REDUCTION IN THE GRADE FOR YOUR HOME STUDY PROJECT – EVEN IF YOU HAVE THE CORRECT ANSWERS.**

3. Refer to the “keys” presented during the course of the week’s classes to help you in determining the appropriate responses to the questions.

4. Each question will be graded as an A, B, C, D or F. Following the 4.0 method of grading (A=4, B=3, C=2, D=1, F=0) the grades for the questions will be totaled and averaged for your grade. The total points for grade breaks will be determined at the time of the grading of the home study projects.

Treasury Management Bank Study Project, 2016 Session
(Please show all calculations clearly)

1. What is the purchase price of a 180 day, $500,000 T-bill sold at a discount of 0.75%?
   a. What is the bond equivalent yield on this T-bill in question?
2. Your company, Red Stick Enterprises, has received a $100,000 invoice with credit terms of 2/15, net 60. The Treasurer of Red Stick Enterprises is thinking about skipping the discount and paying on day 60.
   a. What is the annualized cost of skipping the discount and paying on day 60?
   b. If you have a short term borrowing facility at 5.0%, should you take the discount and pay early? Why or why not?
3. The Louisiana Nooklear Authority has issued 30 year municipal bonds with a yield of 2.5%. Your firm, High Falootin Industries ("HFI") is evaluating these securities as a potential investment. HFI's marginal tax rate is 30%. Taxable bonds with a similar maturity and default risk are yielding 3.08%. Should HFI invest in the municipal bonds instead of investing in the taxable bonds? Why or why not? **(REMEMBER - SHOW YOUR CALCULATIONS).**
4. Complete the following monthly receipts and disbursements forecast for June, July, August and September, 2015. Show the completed forecast then answer each of the following questions:
   a. What is the net cash flow for August?
   b. What is the ending cash balance for September?
   c. In what months would short-term financing be needed (if at all?) and what amounts do you forecast needing to borrow in those months?
   d. In what months are there opportunities for short-term investing (if at all?) and what amounts do you forecast as amounts to invest?

	JUNE	**JULY**	**AUGUST**	**SEPT**
Cash Reciepts	$400,000	$290,000	$450,000	$200,000
Cash Disbursements	$205,000	$375,000	$560,000	$325,000
Net Cash Flows				
Beg. Cash Balance	$50,000			
Ending Cash Balance				
Min. Cash Required (target balance)	($175,000)	($50,000)	($50,000)	($200,000)
Financing Needed (deficit)				
Investable Funds (surplus)				

Treasury Management Bank Study Project
(Please show all calculations clearly)

NOTE: The four following questions are based on the information provided in the sample financial statements attached. Please be brief and concise in your conclusions with regards to the questions asked with each problem.

5. Calculate the **Quick Ratio** and **Current Ratio** for this company using the information contained in the attached financial statements. What conclusion(s) can you draw from your analysis of these ratios with regards to the liquidity or working capital position of this company?

6. Calculate the **Times Interest Earned Ratio** and the **Debt to Tangible Net Worth Ratio** using the information contained in the financial statements attached. What conclusion(s) can you draw from your analysis of these ratios with regards to the overall debt position of this company?

7. Calculate the **Cash Conversion Efficiency Ratio** and the **Return on Common Equity Ra**tio for this company using the information contained in the attached financial statements. What conclusion(s) can you draw from your analysis of these ratios with regards to the financial performance and efficiency of this company?

8. What is the **Gross Profit Margin** for this company based on the information contained in the attached financial statements? What conclusion can you draw from the results of your analysis of this ratio?

Treasury Management Bank Study Project
Supplemental Financial Statements

INCOME STATEMENT

	CURRENT YEAR	PRIOR YEAR	CHANGE
Revenue	$30,000	$25,000	$5,000
Cost of Goods Sold	$18,400	$14,800	$3,600
Gross Profit	$11,600	$10,200	$1,400
Operating Expenses	$8,000	$7,000	$1,000
Depreciation	$400	$300	$100
Operating Profit/EBIT	$3,200	$2,900	$300
Interest Expense	$600	$490	$110
Net Profit Before Taxes	$2,600	$2,410	$190
Provision for Income Taxes	$900	$740	$160
Net Income	**$1,700**	**$1,670**	**$30**

STATEMENT OF RETAINED EARNINGS

	CURRENT YEAR	PRIOR YEAR	CHANGE
Beginning Retained Earnings	$7,600	$6,430	$1,170
Earnings Available for Common Shareholders	$1,700	$1,670	$30
- Common Stock Dividends Paid	$500	$500	$0
+ Addition to Retained Earnings	$1,200	$1,170	$30
Ending Retained Earnings	**$8,800**	**$7,600**	**$1,200**

BALANCE SHEET

ASSETS

	CURRENT YEAR	PRIOR YEAR	CHANGE
Cash	$3,000	$2,000	$1,000
Short-Term Investments	$2,600	$3,000	($400)
Accounts Receivable	$3,400	$2,600	$800
Inventory	$5,200	$4,200	$1,000
Pre-Paid Expenses	$1,800	$1,800	$0
TOTAL CURRENT ASSETS	**$16,000**	**$13,600**	**$2,400**
Property, Plant & Equipment (Net of Accum. Depreciation)	$15,000	$13,600	$1,400
TOTAL ASSETS	**$31,000**	**$27,200**	**$3,800**

LIABILITIES AND OWNER'S EQUITY

	CURRENT YEAR	PRIOR YEAR	CHANGE
Accounts Payable	$3,200	$2,400	$800
Short-Term Notes Payable	$3,600	$2,600	$1,000
TOTAL CURRENT LIABILITIES	**$6,800**	**$5,000**	**$1,800**
Long-Term Debt	$7,800	$7,000	$800
TOTAL LIABILITIES	**$14,600**	**$12,000**	**$2,600**
Common Stock at Par Value	$400	$400	$0
Paid-In Capital	$7,200	$7,200	$0
Retained Earnings	$8,800	$7,600	$1,200
TOTAL EQUITY	**$16,400**	**$15,200**	**$1,200**
TOTAL LIABILITIES & EQUITY	**$31,000**	**$27,200**	**$3,800**

STATEMENT OF CASH FLOWS		
Cash Flows - Operating Activities		
Net Income	$1,700	
(Adjustments to reconcile)		
+ Deprecation	$400	
- Increase in Accounts Receivable	$800	
- Increase in Inventories	$1,000	
+ Increase in Accounts Payable	$800	
NET CASH PROVIDED BY OPERATIONS		**$1,100**
Cash Flows - Investing Activities		
Capital Expenditures	($1,800)	
+ Short Term Investments	$400	
NET CASH PROVIDED BY INVESTING		**($1,400)**
Cash Flows - Financing Activities		
Net Borrowing - Short-Term	$1,000	
+ Proceeds of Long Term Debt Issue	$800	
- Dividends Paid	$500	
NET CASH PROVIDED BY FINANCING		**$1,300**
Net Increase/Decrease in Cash		
Cash - Beginning of Year	$2,000	
Cash - End of Year	$3,000	
NET CASH INCREASE		**$1,000**