

Question 1

Phillips Fine Fixtures Inc. wishes to issue new bonds but is uncertain how the market would set the yield to maturity. The bonds would be 20-year, 7% annual coupon bonds with a \$1,000 par value. Fisher has determined that these bonds would sell for \$1,050 each. What is the yield to maturity for these bonds?

- A) 6.54%
- B) 7.35%
- C) 7.00%
- D) 6.55%

Answer: <https://biology-forums.com/index.php?topic=498079>

Question 2

The _____ is the regular interest payment of the bond.

- A) coupon rate
- B) par
- C) coupon
- D) dividend

Answer: <https://biology-forums.com/index.php?topic=498051>

Question 3

Describe why firms in the oil and gas industry have so much debt compared to other industries. What industry has the lowest profit margin? What industry converts the greatest amount of sales dollars into profit?

Answer: <https://biology-forums.com/index.php?topic=497113>

Question 4

The Bull Bows (BB) investment banking firm has proposed two types of payment plans for the IPO being considered by Johnson JerryRig, a manufacturer of oil drilling equipment. The first is a firm commitment of \$10,000,000. The second is a best effort in which BB will receive \$3.00 for every share sold up to a maximum of \$1,200,000 for the 400,000 shares being offered. How much money will BB earn under the firm commitment method if it is able to sell only 90% of the offering at a price of \$30.00 per share?

- A) \$1,200,000
- B) \$2,000,000
- C) \$1,080,000
- D) \$800,000

Answer: <https://biology-forums.com/index.php?topic=497176>

Question 5

Often, in bankruptcy, the current managers continue to run the business while it operates under the reorganization plan, but the court may also appoint a trustee to oversee the operations and protect the rights of the claimants during this period of time.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=497214>

Question 6

Debts to be paid more than one year from now are claims against the firm's assets: in other words, they are long-term liabilities. These claims are from _____ who have provided capital to the firm but whose entire repayment is not due during the coming year or operating cycle.

- A) stockholders and bondholders
- B) banks and stockholders
- C) all long-term lenders
- D) banks and bondholders

Answer: <https://biology-forums.com/index.php?topic=497703>

Question 7

The _____ is the cost of each financing component multiplied by that component's percent of the total funding amount.

- A) cost of capital
- B) NPV
- C) IRR
- D) cost of debt

Answer: <https://biology-forums.com/index.php?topic=496713>

Question 8

Dividend growth rate is important to many investors. You are considering investing in a firm after looking at the firm's dividends over a seven-year period. At the end of the year 2002, the firm paid a dividend of \$1.15. At year-end 2009, it paid a dividend of \$1.84. What was the average annual growth rate of dividends for this firm?

- A) 6.94%
- B) 7.25%
- C) 9.86%
- D) There is not enough information to answer this question.

Answer: <https://biology-forums.com/index.php?topic=497789>

Question 9

The time between when a raw material is ordered and received and when it is paid for is called the cash conversion cycle.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=496960>

Question 10

Which of the following classifications of securities had the smallest one-year return over the period 1950-1999?

- A) 3-month U.S. Treasury bills
- B) Large-company stocks
- C) Long-term government bonds
- D) Small-company stocks

Answer: <https://biology-forums.com/index.php?topic=496408>

Question 11

Andre is considering an investment in Pollard's Inc. and has gathered the following information. What is the expected return for a share of the firm's stock?

State of the Economy Probability of the State Conditional Expected Return

Vandelay Inc.

Recession .20 -10%

Steady .50 10%

Boom .30 45%

- A) 45.00%
- B) 16.50%
- C) 65.00%
- D) 15.00%

Answer: <https://biology-forums.com/index.php?topic=496435>

Question 12

Mount Reindeer Pure Spring Water Inc. is considered a liquid company because of its generous dividend policy. Prior to the firm's ex-dividend date of May 15th, the stock is selling for a price of \$23.18 per share. If you purchase the stock prior to May 15th, you will receive a dividend of \$1.15. If you waited until May 16th to buy the stock, and there was no other event to change the price of the stock, what would be the stock's expected price?

- A) \$23.18
- B) \$22.03
- C) \$18.58
- D) Unknown

Answer: <https://biology-forums.com/index.php?topic=497357>

Question 13

Lincoln Industries Inc. is considering a project that has an initial after-tax outlay or after-tax cost of \$350,000. The respective future cash inflows from its five-year project for years 1 through 5 are \$75,000 each year. Lincoln expects an additional cash flow of \$50,000 in the fifth year. The firm uses the net present value method and has a discount rate of 10%. Will Lincoln accept the project?

- A) Lincoln accepts the project because it has an NPV greater than \$18,000.
- B) Lincoln rejects the project because it has an NPV less than \$0.
- C) Lincoln accepts the project because it has an NPV greater than \$5,000.
- D) There is not enough information to make a decision.

Answer: <https://biology-forums.com/index.php?topic=496541>

Question 14

Amalgamated Appliance Inc has planned a 3-month issue of commercial paper with a face value of \$25,000,000. The paper is set to sell at 98.5% of face value. What is the discounted selling price of the firm's commercial paper?

- A) \$25,000,000
- B) \$24,625,000
- C) \$25,325,000
- D) \$24,300,000

Answer: <https://biology-forums.com/index.php?topic=497199>

Question 15

A _____ type of loan is similar to a line of credit. However, even though only a portion of the loan is available to the borrower, interest is paid on the entire face value of the loan.

- A) line of credit
- B) compensating balance loan
- C) discount loan
- D) straight loan with preset payment schedule

Answer: <https://biology-forums.com/index.php?topic=497149>

Question 16

_____ is a major disadvantage of the corporate form of business.

- A) Lack of ability to raise capital
- B) Transfer of ownership
- C) Unlimited liability
- D) Double taxation

Answer: <https://biology-forums.com/index.php?topic=497655>

Question 17

Suppose you invest \$3,500 today, compounded semiannually, with an annual interest rate of 8.50%. What amount of interest will you earn in one year?

- A) \$309.13
- B) \$313.82
- C) \$307.12
- D) \$303.82

Answer: <https://biology-forums.com/index.php?topic=497925>

Question 18

The terms _____ and _____ mean the same thing.

- A) total risk, unique risk
- B) diversifiable risk, unsystematic risk
- C) diversifiable risk, systematic risk
- D) nondiversifiable risk, unsystematic risk

Answer: <https://biology-forums.com/index.php?topic=496463>

Question 19

To project the appropriate anticipated cash flow for a project, we must put all cash flow knowledge together. This includes _____ of the incremental cash flow.

- A) the timing
- B) both the amount and timing
- C) the amount
- D) the amount but not the time

Answer: <https://biology-forums.com/index.php?topic=496693>

Question 20

Most stock analysts would agree that more variance is an indicator of less risk.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=496428>