

### Question 1

A corporation is considering expanding operations to meet growing demand. With the capital expansion the current accounts are expected to change. Management expects cash to increase by \$10,000, accounts receivable by \$20,000, and inventories by \$30,000. At the same time accounts payable will increase by \$40,000, accruals by \$30,000, and long-term debt by \$80,000. The change in net working capital is \_\_\_\_\_.

- A) an increase of \$10,000
- B) a decrease of \$10,000
- C) a decrease of \$90,000
- D) an increase of \$80,000

Answer: <https://biology-forums.com/index.php?topic=576844>

### Question 2

The goal of working capital management is to \_\_\_\_\_.

- A) achieve a balance between short-term and long-term liabilities so that they add to the achievement of a firm's overall goals
- B) achieve a balance between a firm's non-current assets and non-current liabilities
- C) achieve a balance between profitability and risk that contributes positively to a firm's value
- D) achieve a balance between short-term and long-term assets so that they add to the achievement of a firm's overall goals

Answer: <https://biology-forums.com/index.php?topic=577307>

### Question 3

Which of the following is a means of selling bonds or stocks to the public?

- A) private placement
- B) public offering
- C) organized selling
- D) direct placement

Answer: <https://biology-forums.com/index.php?topic=575363>

### Question 4

Operating profit is \_\_\_\_\_.

- A) gross profit minus operating expenses
- B) sales revenue minus cost of goods sold
- C) earnings before depreciation and taxes
- D) sales revenue minus depreciation expense

Answer: <https://biology-forums.com/index.php?topic=575476>

### Question 5

No-par preferred stock has no stated face value, but its annual dividend is stated as a percentage of the market value.

Answer: <https://biology-forums.com/index.php?topic=576198>

### Question 6

Yield to call represents the rate of return that investors earn if they buy a callable bond at a specific price and hold it until it is called back and they receive the call price, which would be set above the bond's par value.

Answer: <https://biology-forums.com/index.php?topic=576152>

### Question 7

In the capital asset pricing model, the beta coefficient is a measure of \_\_\_\_\_.

- A) unsystematic risk
- B) non-aggregate risk
- C) business-specific risk
- D) nondiversifiable risk

Answer: <https://biology-forums.com/index.php?topic=576519>

### Question 8

The market value of common stock is related to its par value because both are sensitive to the reactions of investors to new information.

Answer: <https://biology-forums.com/index.php?topic=576172>

### Question 9

What is the expected return for Asset X if it has a beta of 1.5, the expected market return is 15 percent, and the expected risk-free rate is 5 percent?

- A) 5.0%

- B) 7.5%
- C) 15.0%
- D) 20.0%

Answer: <https://biology-forums.com/index.php?topic=576529>

### Question 10

A firm has just ended its calendar year making a sale in the amount of \$200,000 of merchandise purchased during the year at a total cost of \$150,500. Although the firm paid in full for the merchandise during the year, it is yet to collect at year end from the customer. The possible problem this firm may face is \_\_\_\_\_.

- A) high taxes
- B) lack of cash flow
- C) inability to receive credit
- D) high leverage

Answer: <https://biology-forums.com/index.php?topic=575308>

### Question 11

The payback period of a project that costs \$1,000 initially and promises after-tax cash inflows of \$3,000 each year for the next three years is 0.333 years.

Answer: <https://biology-forums.com/index.php?topic=576712>

### Question 12

Which of the following is true of credit scoring of suppliers?

- A) It is frequently used in business because the scoring information is easy to obtain.
- B) It is frequently used in business because scoring standards are too flexible.
- C) It is frequently not used in business because most business transactions involve mercantile credit which cannot be scored.
- D) It is frequently used in business because mercantile credit decisions are easily quantifiable.

Answer: <https://biology-forums.com/index.php?topic=577474>

### Question 13

The Bradshaw Company's most recent dividend was \$6.75. The historical dividend payment by the company shows a constant growth rate of 5 percent per year. What is the maximum you would be willing to pay for a share of its common stock if your required rate of return is 8 percent?

Answer: <https://biology-forums.com/index.php?topic=576315>

### Question 14

In capital budgeting, the preferred approaches in assessing whether a project is acceptable are those that integrate time value of money, risk and return considerations, and valuation concepts to select capital expenditures that are consistent with the firm's goal of maximizing owners' wealth.

Answer: <https://biology-forums.com/index.php?topic=576667>

### Question 15

The combination of two or more companies to form a completely new corporation is a \_\_\_\_\_.

- A) congeneric formation
- B) consolidation
- C) spin-off
- D) conglomerate merger

Answer: <https://biology-forums.com/index.php?topic=577980>

### Question 16

A firm has an outstanding bond with a \$1,000 par value that is convertible into 50 shares of common stock. The bond's conversion ratio is \_\_\_\_\_.

- A) 20
- B) 25
- C) 50
- D) 100

Answer: <https://biology-forums.com/index.php?topic=577869>

### Question 17

A yield curve that reflects relatively similar borrowing costs for both short- and long-term loans is called a normal yield curve.

Answer: <https://biology-forums.com/index.php?topic=575948>

### Question 18

The NPV of a project with an initial investment of \$2,500 that provides after-tax operating cash flows of \$500 per year for four years where the firm's cost of capital is 15 percent is \$427.49.

Answer: <https://biology-forums.com/index.php?topic=576742>

### **Question 19**

An overhanging issue is a convertible security that cannot be forced into conversion by using the call feature.

Answer: <https://biology-forums.com/index.php?topic=577832>

### **Question 20**

Regarding the tax treatment of payments to securities holders, it is true that \_\_\_\_\_.

- A) interest and preferred stock dividends are not tax-deductible ,while common stock dividends are tax deductible
- B) interest and preferred stock dividends are tax-deductible, while common stock dividends are not tax-deductible
- C) common stock dividends and preferred stock dividends are tax-deductible, while interest is not tax-deductible
- D) common stock dividends and preferred stock dividends are not tax-deductible, while interest is tax-deductible

Answer: <https://biology-forums.com/index.php?topic=576245>