

Question 1

In the grossing up procedure, MNCs add the before-tax subsidiary income to their total taxable income, calculate the U.S. tax liability on the grossed-up income, and the related taxes are paid in the foreign country are applied as a credit against the additional U.S. tax liability.
Answer: <https://biology-forums.com/index.php?topic=578162>

Question 2

What is the IRR for the following project if its initial after-tax cost is \$5,000,000 and it is expected to provide after-tax operating cash flows of (\$1,800,000) in year 1, \$2,900,000 in year 2, \$2,700,000 in year 3, and \$2,300,000 in year 4?
A) 5.83%
B) 9.67%
C) 11.44%
D) 6.85%
Answer: <https://biology-forums.com/index.php?topic=576772>

Question 3

The president's letter, the first component of the stockholders' report, is the primary communication from management to a firm's employees.
Answer: <https://biology-forums.com/index.php?topic=575447>

Question 4

Playing the float involves the strategic use of mailing points and bank accounts to lengthen mail float and clearing float, respectively.
Answer: <https://biology-forums.com/index.php?topic=577521>

Question 5

Which of the following is a strength of a corporation?
A) low taxes
B) limited liability
C) low organization costs
D) less government regulation
Answer: <https://biology-forums.com/index.php?topic=575238>

Question 6

Due to inflationary effects, inventory costs and depreciation write-offs can differ from their true values, thereby distorting profits.
Answer: <https://biology-forums.com/index.php?topic=575518>

Question 7

Interest paid to bondholders is tax deductible.
Answer: <https://biology-forums.com/index.php?topic=576165>

Question 8

In capital budgeting, one of the most common scenario approaches is to estimate the NPVs associated with pessimistic (worst), most likely (expected), and optimistic (best) estimates of cash inflow.
Answer: <https://biology-forums.com/index.php?topic=576888>

Question 9

The value of a firm measured as the sum of the values of its operating units if each were sold separately is known as a firm's part and parcel value.
Answer: <https://biology-forums.com/index.php?topic=578031>

Question 10

A shift toward more fixed costs increases business risk, which in turn causes earnings before interest and taxes to increase by less for a given increase in sales.
Answer: <https://biology-forums.com/index.php?topic=577083>

Question 11

The pecking order explanation of capital structure states that a hierarchy of financing exists for firms, in which retained earnings are employed first, followed by debt financing and finally by external equity financing.
Answer: <https://biology-forums.com/index.php?topic=577089>

Question 12

The future value of a dollar _____ as the interest rate increases and _____ the further in the future an initial deposit is to be received.

- A) decreases; decreases
- B) decreases; increases
- C) increases; increases
- D) increases; decreases

Answer: <https://biology-forums.com/index.php?topic=575785>

Question 13

Learning Obj.: LG 6

Learning Outcome: F-27

Question Status: Revised

AACSB Tag: Analytic Skills

6) In a Chapter 7 liquidation bankruptcy proceeding, the order of priority of satisfying claims is secured creditors, unsecured creditors, and then equity holders.

Answer: <https://biology-forums.com/index.php?topic=578138>

Question 14

The use of a dollar breakeven point is important when a firm has more than one product, especially when each product is selling at a different price.

Answer: <https://biology-forums.com/index.php?topic=576974>

Question 15

Yongman Electronics has decided to invest \$10,000,000 in a new headquarters and needs to determine the best way to finance the construction. The firm currently has \$50,000,000 of 10 percent bonds and 4,000,000 common shares outstanding. The firm can obtain the \$10,000,000 of financing through a 10 percent bond issue or the sale of 1,000,000 shares of common stock. The firm has a 40 percent tax rate.

- (a) What is the degree of financial leverage for each plan at \$25,000,000 of EBIT?
- (b) What is the financial breakeven point for each plan?

Answer: <https://biology-forums.com/index.php?topic=577061>

Question 16

Inventory is more attractive than accounts receivable as a short-term collateral since it normally has a market value greater than its book value, which is used to establish its value as collateral.

Answer: <https://biology-forums.com/index.php?topic=577747>

Question 17

Derivatives are used by corporations as a useful tool for managing certain aspects of a firm's risk.

Answer: <https://biology-forums.com/index.php?topic=577756>

Question 18

Which of the following forms of organizations is the easiest to form?

- A) sole proprietorships
- B) limited liability corporation
- C) limited partnership
- D) S-corporations

Answer: <https://biology-forums.com/index.php?topic=575236>

Question 19

The statement of cash flows provides insight into a firm's operating, investment, and financing cash flows and reconciles them with changes in its cash and marketable securities during the period of concern.

Answer: <https://biology-forums.com/index.php?topic=575460>

Question 20

Which of the following is a reason for a firm for repurchasing its shares?

- A) to diminish the shareholder value by increasing the number of shares outstanding and thereby raising earnings per share
- B) to help encourage a friendly takeover by increasing the number of publicly traded shares
- C) to make shares available for stock option plans
- D) to make shares available for cash dividends

Answer: <https://biology-forums.com/index.php?topic=577192>