

### Question 1

The internal rate of return method results in the same accept/reject decision as the net present value (NPV) method but would not necessarily rank mutually exclusive projects the same way.

True / False?

Answer: <https://biology-forums.com/index.php?topic=641422>

### Question 2

What allows common stockholders the right to cast a number of votes equal to the number of directors being elected?

- A) The majority voting provision
- B) The casting feature
- C) The cumulative voting provision
- D) The proxy method

Answer: <https://biology-forums.com/index.php?topic=641254>

### Question 3

Which of the following is a conclusion of agency theory?

- A) Managers may accept excessive financial risks to increase the returns to shareholders.
- B) Managers tend to avoid high-risk, high-return investments that may jeopardize their positions if successful.
- C) Managers will always use the least expensive source of funds to finance investments.
- D) Managers will tend to put the stockholders interests before their own security and ambitions.

Answer: <https://biology-forums.com/index.php?topic=641869>

### Question 4

Currier & Ive's Lithography has a Cost of Goods Sold of \$60.8 million. The company's accounts payable balance is \$7.5 million. It's accounts payable deferral period is

- A) 81 days.
- B) 45 days.
- C) 8.11 days.
- D) 48.7 days.

Answer: <https://biology-forums.com/index.php?topic=642391>

### Question 5

Discuss the advantages of using commercial paper.

Answer: <https://biology-forums.com/index.php?topic=642505>

### Question 6

Ratios are used to standardize financial information.

True / False?

Answer: <https://biology-forums.com/index.php?topic=640692>

### Question 7

An investor would buy a \_\_\_\_\_ if he or she believes that the price of the underlying stock or asset will fall in the near future.

- A) call option
- B) convertible bond
- C) put option
- D) futures contract to take delivery of an asset at a future date

Answer: <https://biology-forums.com/index.php?topic=642951>

### Question 8

All of the following affect the value of a bond EXCEPT

- A) investors' required rate of return.
- B) the recorded value of the firm's assets.
- C) the coupon rate of interest.
- D) the maturity date of the bond.

Answer: <https://biology-forums.com/index.php?topic=641121>

### Question 9

Approximately what percentage of new businesses survive their first year?

- A) 20%
- B) 40%
- C) 60%
- D) 80%

Answer: <https://biology-forums.com/index.php?topic=641573>

### Question 10

The George Company, Inc., has two issues of debt. Issue A has a maturity value of 8 million dollars, a coupon rate of 8%, paid annually, and is selling at par. Issue B was issued as a 15 year bond 5 years ago. Its coupon rate is 9%, paid annually. Investors demand a pre-tax return of 9.3% on this bond. The maturity value of Issue B is 6 million dollars. The George company has a marginal tax rate of 35%. What is the company's after tax cost of debt?

- A) 4.73%
- B) 5.56%
- C) 7.36%
- D) 8.47%

Answer: <https://biology-forums.com/index.php?topic=641746>

### Question 11

Pederson Home Heating Inc. anticipates that cash flows from home heating fuel sales next year will be \$800,000 if the winter is mild, \$1,000,000 if winter is average, and \$1,500,000 if winter is exceptionally cold. The probability of an average winter is 60%, while the probability of either a mild or an exceptionally cold winter is 20%. What is Pederson's expected cash flow from fuel sales next winter?

- A) \$1,060,000
- B) \$1,100,000
- C) \$1,000,000
- D) \$1,150,000

Answer: <https://biology-forums.com/index.php?topic=641595>

### Question 12

When using MACRS depreciation, after-tax cash flows will generally be higher in the early years and lower in the later years than if straight-line depreciation had been used.

True / False?

Answer: <https://biology-forums.com/index.php?topic=641532>

### Question 13

The higher the investor's required rate of return, the higher the P/E ratio will be.

True / False?

Answer: <https://biology-forums.com/index.php?topic=641290>

### Question 14

Jain's Pharmaceuticals is installing new lab equipment at a cost of \$5 million with an economic life of 5 years. Jain's marginal tax rate is 35%. What is the difference in depreciation between straight line depreciation and MACRS depreciation in the second year.

- A) \$0.6 million
- B) \$1 million
- C) \$1.6 million
- D) \$1.75 million

Answer: <https://biology-forums.com/index.php?topic=641519>

### Question 15

A firm buys on terms of 3/10, net 30. What is the cost of trade credit under these terms?

- A) 55.7%
- B) 47.4%
- C) 31.5%
- D) 23.2%

Answer: <https://biology-forums.com/index.php?topic=642418>

### Question 16

Which of the following factors favors the use of more debt in a company's financial structure?

- A) High levels of taxable income
- B) Low levels of taxable income
- C) The business is basically risky with unpredictable cash flows.

D) Risk of bankruptcy would make customers reluctant to buy the company's products.

Answer: <https://biology-forums.com/index.php?topic=641896>

### Question 17

The longer the time to maturity, the more sensitive a bond's price to changes in market interest rates.

True / False?

Answer: <https://biology-forums.com/index.php?topic=641159>

### Question 18

The NPV of a project based on forecasted cash flows is \$1,000,000. There is a 40% probability that cash flows from the project will be seriously reduced because competitors will enter the market. In this case, if the company did nothing, the NPV would be (\$500,000). The project can also be abandoned after 2 years and NPV will be (\$100,000). What is the expected NPV of the project when the option to abandon is considered. Should the project be accepted?

Answer: <https://biology-forums.com/index.php?topic=641682>

### Question 19

Assume that two investments have a three-year life and generate the cash flows shown below. Which of the two would you prefer?

Year Investment A Investment B

1 \$5,000 \$8,000

2 \$5,000 \$5,000

3 \$5,000 \$2,000

- A) Investment A, since it has the most even cash flows
- B) Investment B, since it gives you the largest cash flows in earlier years
- C) Neither, since they both have equal lives
- D) Both investments are equally attractive

Answer: <https://biology-forums.com/index.php?topic=640918>

### Question 20

Which of the following features is shared by futures contracts and forward contracts?

- A) They are traded on organized exchanges.
- B) The commodities are standardized.
- C) The quantities traded are standardized.
- D) They mature (must be exercised or settled) at a specific date set in the contract.

Answer: <https://biology-forums.com/index.php?topic=642983>