

Question 1

The real discount rate includes expected inflation.

True / False?

Answer: <https://biology-forums.com/index.php?topic=641547>

Question 2

Middletown, USA currently has a population of 1.5 million people. It has been one of the fastest growing cities in the nation, growing by an average of 4% per year for the last five years. If this city's population continues to grow at 4% per year, what will the population be 10 years from now?

- A) 1,560,000
- B) 2,220,366
- C) 2,100,000
- D) 1,824,979

Answer: <https://biology-forums.com/index.php?topic=640755>

Question 3

Financial decisions can be difficult because the cost of investments can be estimated with greater confidence than future payoffs.

True / False?

Answer: <https://biology-forums.com/index.php?topic=640374>

Question 4

What will the dollar amount be in four years, assuming that interest is paid annually?

- A) \$2,800
- B) \$3,100
- C) \$3,111
- D) \$3,148

Answer: <https://biology-forums.com/index.php?topic=640750>

Question 5

Which of the following does NOT represent cash outflows to the firm?

- A) Taxes
- B) Interest payments
- C) Dividends
- D) Depreciation

Answer: <https://biology-forums.com/index.php?topic=640581>

Question 6

What is the NPV of the project if it is expanded?

- A) \$100,000
- B) \$500,000
- C) \$300,000
- D) \$600,000

Answer: <https://biology-forums.com/index.php?topic=641664>

Question 7

What is meant by interest rate parity?

Answer: <https://biology-forums.com/index.php?topic=642765>

Question 8

A stock split will cause changes in the dollar value of which of the following?

- A) The par value of the stock.
- B) The book value of common equity
- C) The per share price of the stock
- D) A and C, but not B.

Answer: <https://biology-forums.com/index.php?topic=641959>

Question 9

You believe WSU stock will pay dividends of \$1.00, \$1.25, and \$1.50 at the end of each of the next 3 years. Immediately after receiving the third dividend, you will sell the stock for \$28.50. If the appropriate discount rate is 12%, you should be willing to pay \$20.75 for this stock.

True / False?

Answer: <https://biology-forums.com/index.php?topic=640922>

Question 10

Blue's Chips Inc. has a \$1,000 par value bond that is currently selling for \$1,300. It has an annual coupon rate of 7%, paid semiannually, and has nine years remaining until maturity. What is the annual yield to maturity on the bond? (Round to the nearest whole percentage.)

- A) 3.15%
- B) 1.57%
- C) 3.12%
- D) 6.24%

Answer: <https://biology-forums.com/index.php?topic=641142>

Question 11

At the break-even NPV point

- A) the present value of operating cash flows equals the initial amount invested.
- B) The NPV of the project is equal to zero.
- C) the project's IRR is equal to the project's required rate of return.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=641641>

Question 12

Which of the following statements is FALSE?

- A) The calculation of the accounts receivable average collection period (ACP) would generally produce a more realistic assessment of how a firm is managing its accounts receivable if the analyst were to calculate the ACP for each month and average the results, than if the analyst were to solely use the fiscal year-end accounts receivable value.
- B) If an analyst were to compare the inventory turnover of one firm to that of another, the comparison can be distorted if the two firms use different methods of valuing ending inventory.
- C) Assume that two firms are in the same industry and one reports a higher debt ratio than the other. We can safely say that the firm that has the highest debt ratio is the riskier of the two firms.
- D) A firm that has a current ratio that is significantly above the industry norm will, as a direct consequence, also have a significantly better return on assets than if its current ratio was below the industry norm.

Answer: <https://biology-forums.com/index.php?topic=640711>

Question 13

How much money must you pay into an account at the beginning of each of 30 years in order to have \$10,000 at the end of the 30th year? Assume that the account pays 11% per annum, and round to the nearest \$1.

- A) \$39
- B) \$45
- C) \$50
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=640834>

Question 14

Changes in the general economy, such as changes in interest rates or tax laws, represent what type of risk?

- A) Firm-specific risk
- B) Market risk
- C) Unsystematic risk
- D) Diversifiable risk

Answer: <https://biology-forums.com/index.php?topic=641037>

Question 15

In 2016, the improvement in ABC's return on equity occurred because

- A) ABC used more debt than in 1994.
- B) ABC lowered its expenses in 1995 and was, therefore, more profitable.
- C) ABC utilized its total assets more efficiently in 1995.
- D) None of the above explain the improvement in ABC's return on equity.

Answer: <https://biology-forums.com/index.php?topic=640665>

Question 16

Sales captured from the firm's competitors can be relevant to the capital-budgeting decision.

True / False?

Answer: <https://biology-forums.com/index.php?topic=641536>

Question 17

The number of pounds you can purchase per U.S. dollar is

- A) 1.4504
- B) 6.895
- C) 0.6895
- D) 14..51

Answer: <https://biology-forums.com/index.php?topic=642614>

Question 18

Which of the following is NOT a driving force of the operating profit margin?

- A) The amount of leverage a firm uses.
- B) Cost of goods sold
- C) General and administrative expenses
- D) The unit price of product sold

Answer: <https://biology-forums.com/index.php?topic=640674>

Question 19

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 20

Which of the following will reduce the liquidity of a firm? An increase in

- A) short-term notes payable.
- B) accounts payable.
- C) current assets.
- D) both A and B.

Answer: <https://biology-forums.com/index.php?topic=642286>