

Question 1

The NPV of manufacturing the armatures in house is closest to:

- A) 1,095,000
- B) 1,215,000
- C) 1,225,000
- D) 1,250,000

Answer: <https://biology-forums.com/index.php?topic=815240>

Question 2

Following the borrowing of \$12 million and subsequent share repurchase, the equity cost of capital for RC is closest to:

- A) 12%
- B) 9%
- C) 11.0%
- D) 10%

Answer: <https://biology-forums.com/index.php?topic=815920>

Question 3

Which of the following statements is FALSE?

- A) If there is a fixed supply of a resource available, you should rank projects by the profitability index, selecting the project with the lowest profitability index first and working your way down the list until the resource is consumed.
- B) Practitioners often use the profitability index to identify the optimal combination of projects when there is a fixed supply of resources.
- C) If there is a fixed supply of resources available, so that you cannot undertake all possible opportunities, then simply picking the highest NPV opportunity might not lead to the best decision.
- D) The profitability index is calculated as the NPV divided by the resources consumed by the project.

Answer: <https://biology-forums.com/index.php?topic=815150>

Question 4

Assume that management makes a surprise announcement that JRN will no longer pay dividends but will use the cash to repurchase stock instead.

The price of a share of JRN's stock is now closest to:

- A) \$20.00
- B) \$25.00
- C) \$18.00
- D) \$24.00

Answer: <https://biology-forums.com/index.php?topic=816177>

Question 5

If you take the \$2500 rebate and finance your new car through your credit union your monthly payments will be closest to:

- A) \$520
- B) \$573
- C) \$593
- D) \$799

Answer: <https://biology-forums.com/index.php?topic=814912>

Question 6

Common risk is also called:

- A) diversifiable risk.
- B) correlated risk.
- C) uncorrelated risk.
- D) independent risk.

Answer: <https://biology-forums.com/index.php?topic=815415>

Question 7

Perrigo's debt to equity ratio is closest to:

- A) 0.24
- B) 0.50
- C) 0.75
- D) 0.89

Answer: <https://biology-forums.com/index.php?topic=814661>

Question 8

The term is a(n):

- A) measure of the expected percent change in the excess return of a security for a 1% change in the excess return of the second factor portfolio.
- B) constant term.
- C) error term that has an expectation of zero and is uncorrelated with either factor.
- D) measure of the expected percent change in the excess return of a security for a 1% change in the excess return of the first factor portfolio.

Answer: <https://biology-forums.com/index.php?topic=815811>

Question 9

Assuming you pay the points and borrow from the mortgage lender at 6.00%, then your monthly mortgage payment (with payments made at the end of the month) will be closest to:

- A) \$708
- B) \$1530
- C) \$1540
- D) \$1600

Answer: <https://biology-forums.com/index.php?topic=814915>

Question 10

On the balance sheet, current maturities of long-term debt appears:

- A) in the Stockholders' Equity section.
- B) in the Operating Expenses section.
- C) in the Current Assets section.
- D) in the Current Liabilities section.

Answer: <https://biology-forums.com/index.php?topic=814620>

Question 11

Assume that MM's perfect capital market conditions are met and that you can borrow and lend at the same 5% rate as With. You have \$5000 of your own money to invest and you plan on buying With stock. Using homemade (un)leverage you invest enough at the risk-free rate so that the payoff of your account will be the same as a \$5000 investment in Without stock? The number of shares of With stock you purchased is closest to:

- A) 100
- B) 425
- C) 1650
- D) 825

Answer: <https://biology-forums.com/index.php?topic=815870>

Question 12

The amount that Ford Motor Company will owe in taxes next year without the launch of the new SUV is closest to:

- A) \$24.0 million
- B) \$56.0 million
- C) \$31.5 million
- D) \$13.5 million

Answer: <https://biology-forums.com/index.php?topic=815186>

Question 13

Nielson Motors should accept those projects with profitability ratios greater than:

- A) 0.15
- B) 0.175
- C) 0.20
- D) 0.225

Answer: <https://biology-forums.com/index.php?topic=816085>

Question 14

Assume that Omicron uses the entire \$50 million in excess cash to pay a special dividend. Omicron's ex-dividend price is closest to:

- A) \$40.00
- B) \$5.00
- C) \$50.00
- D) \$45.00

Answer: <https://biology-forums.com/index.php?topic=816163>

Question 15

Rearden Metal has no debt, and maintains a policy of holding \$50 million in excess cash reserves, invested in risk free treasury securities currently yielding 4%. If Rearden is in the 40% marginal tax bracket, the cost of permanently maintaining this \$50 million reserve is closest to:

- A) \$0.8 million
- B) \$1.2 million
- C) \$20.0 million
- D) \$30.0 million

Answer: <https://biology-forums.com/index.php?topic=815954>

Question 16

Portfolio "C":

- A) is less risky than the market portfolio.
- B) has a relatively lower expected return than predicted.
- C) is underpriced.
- D) has a negative alpha.

Answer: <https://biology-forums.com/index.php?topic=815788>

Question 17

Assume that investors in Google pay a 15% tax rate on income from equity and a 35% tax rate on interest income. If Google were to issue sufficient debt to reduce its corporate taxes by \$1 billion per year permanently, then the value that would be created is closest to:

- A) \$6.1 billion
- B) \$10.2 billion
- C) \$12.2 billion
- D) \$14.3 billion

Answer: <https://biology-forums.com/index.php?topic=815999>

Question 18

The expected return on the alternative investment having the highest possible expected return while having the same volatility as Google is closest to?

- A) 21.6%
- B) 19.6%
- C) 23.4%
- D) 35.0%

Answer: <https://biology-forums.com/index.php?topic=815557>

Question 19

Assume that in addition to 1.25 billion common shares outstanding, Luther has stock options given to employees valued at \$2 billion. After the repurchase how many shares will Luther have outstanding?

- A) 1.0 billion
- B) 1.2 billion
- C) 0.75 billion
- D) 1.1 billion

Answer: <https://biology-forums.com/index.php?topic=815876>

Question 20

The beta for Wyatt Oil is closest to:

- A) 0.75
- B) 0.80
- C) 1.00
- D) 1.10

Answer: <https://biology-forums.com/index.php?topic=815566>