

Question 1

Donna makes annual end of year payments of \$5,403.71 on a four year loan with an interest rate of 13 percent. The original principal amount was: (Round to the nearest whole dollar)

- A) \$16,073
- B) \$22,139
- C) \$15,092
- D) \$17,175

Answer: <https://biology-forums.com/index.php?topic=535970>

Question 2

A friend tells you about a mutual fund that can protect you on the downside. In other words, in bear markets the return on the mutual fund does not fall as much as the market's return. The fund's Beta is:

- A) Greater than one
- B) Equal to one
- C) Less than one

Answer: <https://biology-forums.com/index.php?topic=536098>

Question 3

What is the effective interest rate of 4% compounded quarterly?

- A) 4.60%
- B) 4.80%
- C) 4.16%
- D) 4.06%
- E) 4.76%

Answer: <https://biology-forums.com/index.php?topic=535830>

Question 4

An annuity in which payments are made at the beginning of each period is a(n):

- A) Ordinary annuity
- B) Annuity due
- C) Annuity in arrears
- D) Perpetuity

Answer: <https://biology-forums.com/index.php?topic=535940>

Question 5

The total amount that can be borrowed is the firm's:

- A) Line of credit
- B) Max credit
- C) Line limit
- D) Credit limit

Answer: <https://biology-forums.com/index.php?topic=536211>

Question 6

Stocks A and B are perfectly negatively correlated ($\rho = -1$) and their standard deviations are 0.20 and 0.30 respectively. What is the standard deviation of a portfolio with 50% invested in Stock A and 50% invested in Stock B?

- A) 5%
- B) 6%
- C) 7%
- D) 8%
- E) 9%

Answer: <https://biology-forums.com/index.php?topic=536066>

Question 7

To pay for her college education, Gina is saving \$2,000 at the beginning of each year for the next eight years in a bank account paying 12 percent interest. How much will Gina have in that account at the end of 8th year? (Round up to the nearest whole dollar amount)

- A) \$16,000
- B) \$17,920
- C) \$24,600
- D) \$27,552

Answer: <https://biology-forums.com/index.php?topic=535934>

Question 8

If you have the exchange rates for converting U.S. dollars to yen and U.S. dollars to the euro, you could convert from yen to euros by using a:

- A) Spot rate
- B) Indirect rate
- C) Counter rate
- D) Cross rate

Answer: <https://biology-forums.com/index.php?topic=536228>

Question 9

The table below presents performance data for the Socially Responsible mutual fund over the last five years. The table also includes information on the returns of the market index and T-Bills over the same period. What is the Treynor Index for Socially Responsible?

Average Return Standard Deviation Beta

Socially Responsible 13% 37.5% 3

Market 6% 15% 1

T-Bills 1.5% N/A N/A

- A) 2.3%
- B) 3.8%
- C) 7.0%
- D) 9.5%
- E) 11.5%

Answer: <https://biology-forums.com/index.php?topic=536141>

Question 10

The _____ shows the possible risk/return combinations for a portfolio.

- A) Portfolio Possibility Line
- B) Portfolio Beta
- C) Modern Portfolio Theory
- D) Momentum Effect

Answer: <https://biology-forums.com/index.php?topic=536135>

Question 11

You have been scouring The Wall Street Journal looking for stocks to add to your (large) portfolio. The table presents data that you have collected on four stocks that look promising. You have calculated the return that you anticipate earning from each stock along with its beta. Which of the four securities should you add to your portfolio? (Assume you must choose just one.) Assume the risk-free rate is 7.00% and the market risk premium is 2.00%.

Stock Anticipated Return Beta

- A 9.01% 1.70
- B 7.06% 0.00
- C 8.74% 0.87
- D 11.50% 2.50

- A) Stock A
- B) Stock B
- C) Stock C
- D) Stock D

Answer: <https://biology-forums.com/index.php?topic=536138>

Question 12

If the price of wheat is \$25/bushel in the United States and \$20/bushel in Canada, all of the following would tend to equalize prices EXCEPT:

- A) when the U.S. imposes a tariff on Canadian wheat.
- B) the Canadian dollar will appreciate.
- C) when the domestic price of U.S. wheat falls.
- D) the U.S. dollar will depreciate.
- E) when the domestic price of Canadian wheat rises.

Answer: <https://biology-forums.com/index.php?topic=536247>

Question 13

Your banker is concerned about your company's liquidity. Which of the following actions would increase the firm's current ratio and ease the bank's concern?

- A) Sell some inventory for cash.
- B) File for bankruptcy.
- C) Call your convertible bonds and thereby force the bond holders to become shareholders.
- D) Sell some of the firm's long-term bonds and purchase marketable securities.
- E) Sell long-term bonds to purchase new machinery.

Answer: <https://biology-forums.com/index.php?topic=535774>

Question 14

As the discount rate increases without limit, the present value of the future cash inflows:

- A) Gets larger without limit.
- B) Stays unchanged.
- C) Approaches zero.
- D) Gets smaller without limit, i.e. approaches minus infinity.

Answer: <https://biology-forums.com/index.php?topic=535853>

Question 15

You wish to deposit \$7,000 in an account at the Shylock Bank. The bank pays interest at a nominal annual rate of 10% compounded monthly. What is the future value in the account after seven years?

- A) \$14,055.44
- B) \$13,975.47
- C) \$13,641.02
- D) \$13,336.23
- E) \$14,726.68

Answer: <https://biology-forums.com/index.php?topic=535884>

Question 16

George wants to pick a stock for his Diversified Hedge Fund. The fund has holdings in every country with a stock market. George is trying to decide which asset he should add to his portfolio: Stock A or Stock B. Expected return, Standard deviation and beta values for the two stocks are outlined in the table below. Which stock is best for George's portfolio and why?

Stock A Stock B Risk-Free Asset

Expected Return 8% 12% 5%

Standard Deviation 12% 22%

Beta 1 2

- A) Stock A because it has a lower Beta.
- B) Stock A because it has more return per unit of standard deviation.
- C) Stock B because it has a higher return.
- D) Stock B because it has a higher Treynor Index with respect to standard deviation.
- E) Stock B because it has a higher Treynor Index with respect to Beta.

Answer: <https://biology-forums.com/index.php?topic=536137>

Question 17

You are considering the purchase of a BMW M5. You will borrow the money from BMW Financial Services. The terms of the deal are outlined below.

BMW M5

RWD, 500hp, 0-100 in 4.7s

PRICE = \$80,000

Term = 36 months

$i = 4.0\%$

Down Payment = \$0

Monthly Payments (end-of-month) = \$2,361.92

How much interest does the borrower pay over the term of the loan? In other words, how much of the blended loan payments is interest?

- A) \$5,029.08
- B) \$3,401.17
- C) \$3,200.00
- D) \$5,561.92
- E) \$5,763.09

Answer: <https://biology-forums.com/index.php?topic=536004>

Question 18

Shares of _____ are units of ownership interest, or equity, in a corporation.

- A) debt
- B) common stock

- C) bank loans
- D) commercial paper
- E) debentures

Answer: <https://biology-forums.com/index.php?topic=535709>

Question 19

How would you describe the risk of a company's CEO having a heart attack?

- A) Not diversifiable or systematic
- B) Not diversifiable or unsystematic
- C) Diversifiable or unsystematic
- D) Diversifiable or systematic

Answer: <https://biology-forums.com/index.php?topic=536072>

Question 20

Each of the following is a decision that can be avoided if a firm refuses to offer credit EXCEPT:

- A) Collection period
- B) Discounts to give fast payers
- C) Accounts Payable
- D) Who to extend credit to

Answer: <https://biology-forums.com/index.php?topic=536169>