

### Question 1

When the price of a movie ticket falls from \$14 to \$10, the quantity of tickets demanded increases from 500 to 700 a day. What is the price elasticity of demand for movie tickets? (Use the midpoint method.)

Answer: <https://biology-forums.com/index.php?topic=1850200>

### Question 2

Security markets are considered to be perfect when firms can issue securities at no cost and the investor incurs no brokerage commissions.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1849141>

### Question 3

Finance theory suggests that the current market value of a bond is based upon which of the following?

- A) the future value of interest paid on a bond
- B) the sum total of principal and interest paid on a bond
- C) the sum of the present value of the bond's interest payments and the present value of the principal
- D) the present value of a bond's par value plus the future value of the bond's present value

Answer: <https://biology-forums.com/index.php?topic=1848378>

### Question 4

Most stocks have betas between

- A) -1.00 and 1.00.
- B) 0.00 and 1.00.
- C) 0.60 and 1.60.
- D) 1.00 and 2.00.

Answer: <https://biology-forums.com/index.php?topic=1848263>

### Question 5

One positive feature of the payback period is it emphasizes the earliest forecasted free cash flows, which are less uncertain than later cash flows and provide for the liquidity needs of the firm.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1848735>

### Question 6

The objective of managing cash inflows is to decrease the float while the objective of managing cash outflows is to increase the float.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1849629>

### Question 7

Which of the following would be considered a variable cost in a manufacturing setting?

- A) rent
- B) administrative salaries
- C) insurance
- D) direct labor

Answer: <https://biology-forums.com/index.php?topic=1849017>

### Question 8

The cost of debt capital is obtained by substituting the net proceeds per bond for the bond price in the bond valuation equation and solving for the required return.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1848598>

### Question 9

An example of the growth factor in common stock is

- A) acquiring a loan to fund an investment in Asia.
- B) retaining profits in order to reinvest into the firm.
- C) issuing new stock to provide capital for future growth.
- D) two strong companies merging together to increase their economy of scale.

Answer: <https://biology-forums.com/index.php?topic=1848554>

### Question 10

U.S. Treasury bills are extremely liquid due to excellent secondary markets.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1849658>

### Question 11

A company decreases the risk of insolvency by financing long-term assets with short-term debt.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1849383>

### Question 12

A textile manufacturer has cloth that has a \$14 per yard carrying cost per year. This cloth is used at a rate of 25,000 yards per year, and ordering costs are \$10 per order.

a. What is the economic order quantity for this cloth?

b. What are the annual inventory costs for this firm if it orders in this quantity?

Answer: <https://biology-forums.com/index.php?topic=1849787>

### Question 13

The recent financial crises was exacerbated by

A) managers who overestimated risk and hence did not invest sufficient funds.

B) managers who underestimated the real risks of their decisions and borrowed excessively.

C) a lack of financial leverage that made U.S. firms less competitive in world markets.

D) extremely high interest rates in the United States that stifled investment.

Answer: <https://biology-forums.com/index.php?topic=1847602>

### Question 14

Rogue Corp. has sales of \$4,250,000; the firm's cost of goods sold is \$2,500,000; and its total operating expenses are \$600,000. The firm's interest expense is \$250,000, and the corporate tax rate is 40%. What is Rogue's tax liability?

A) \$258,000

B) \$260,000

C) \$360,000

D) \$600,000

Answer: <https://biology-forums.com/index.php?topic=1847917>

### Question 15

A bond maturing in 10 years pays \$80 each year (including year 10) and \$1,000 upon maturity. Assuming 10 percent to be the appropriate discount rate, the present value of the bond is

A) \$877.11.

B) \$1,000.00.

C) \$416.39.

D) \$1,785.67.

Answer: <https://biology-forums.com/index.php?topic=1848090>

### Question 16

The par value of a corporate bond indicates the payment that the issuer promises to make to the bondholder at maturity.

[b][True or False][b]

Answer: <https://biology-forums.com/index.php?topic=1848352>

### Question 17

You purchased one share of Sophia Enterprises common stock for \$30 today. If the stock pays a dividend of \$6.50 in one year, and sells for \$32.50 at that time, what will the dividend yield, growth rate, and total rate of return be for the year?

Answer: <https://biology-forums.com/index.php?topic=1848582>

### Question 18

Plimpton Sales presents income statements for the first three months of this year. Revenues are \$1,000,000 in January, \$1,200,000 in February, and \$1,400,000 in March, while expenses total \$800,000 in January, \$900,000 February, and \$1,000,000 in March. Despite the positive net income, the controller believes Plimpton Sales needs to arrange short-term financing of \$300,000 to make payroll the next month. Which of the following statements is MOST correct?

- A) The controller must have made a mistake since the company's net income for the three months is \$900,000.
- B) The company's accounts receivable balance has decreased over the past three months.
- C) The company's accounts payable balance has increased over the past three months.
- D) The company's accounts receivable balance has increased and the accounts payable balance has decreased over the past three months.

Answer: <https://biology-forums.com/index.php?topic=1849363>

### Question 19

If the price is above the equilibrium price, then there is a

- A) surplus, and market forces will operate to lower price.
- B) surplus, and market forces will operate to raise price.
- C) shortage, and market forces will operate to lower price.
- D) shortage, and market forces will operate to raise price.

Answer: <https://biology-forums.com/index.php?topic=1850084>

### Question 20

Nelson Industries has a higher debt ratio than Butler, Inc., and Nelson also has a higher times interest earned ratio than Butler. If Nelson and Butler both have the same amount of total assets, then

- A) Nelson must have higher operating income than Butler.
- B) if both companies have the same operating income, Butler must be paying a higher interest rate on its long-term debt than Nelson is paying.
- C) Nelson may have more non-interest bearing liabilities, such as accounts payable, than Butler has.
- D) if both companies have the same operating income, a mistake was made in the calculations because the company with a higher debt ratio must have a lower times interest earned ratio.

Answer: <https://biology-forums.com/index.php?topic=1847979>