1)​Suppose that Model Nails, Inc.'s capital structure features 60 percent equity, 40 percent debt, and that its before-tax cost of debt is 6 percent, while its cost of equity is 10 percent. If the appropriate weighted average tax rate is 28 percent, what will be Model Nails' WACC?

* 



​8.00 percent

* 



​7.73 percent

* 



​16.00 percent

* 



​8.40 percent

​2) Suppose that Model Nails, Inc.'s capital structure features 60 percent equity, 40 percent debt, and that its before-tax cost of debt is 6 percent, while its cost of equity is 10 percent. If the appropriate weighted average tax rate is 28 percent, what will be Model Nails' WACC?

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4)

​Suppose that Model Nails, Inc.'s capital structure features 60 percent equity, 40 percent debt, and that its before-tax cost of debt is 6 percent, while its cost of equity is 10 percent. If the appropriate weighted average tax rate is 28 percent, what will be Model Nails' WACC?

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5)

​Which of these is the process of estimating expected future cash flows of a project using only the relevant parts of the balance sheet and income statements?

Cash flow analysis

Pro forma analysis

Incremental cash flows

Substitutionary analysis

6)

​Which of these is the process of estimating expected future cash flows of a project using only the relevant parts of the balance sheet and income statements?

Multiplying

Computing

Compounding discounting

7) ​Which of these is the process of estimating expected future cash flows of a project using only the relevant parts of the balance sheet and income statements?

Neither machine A nor B

Machine B

Machine A

Both Machines

8) What are reasons for the firm to go abroad?

* 



​Lower production cost

* 



​All of the above

* 



​Diversification

* 



​Access to raw materials

9)

What's the current yield of a 6 percent coupon corporate bond quoted at a price of 101.70?

* 



​6.0 percent

* 



​10.2 percent

* 



​6.1 percent

* 
* 

​5.9 percent

10)

Which of these ratios show the combined effects of liquidity, asset management, and debt management on the overall operation results of the firm?

* 



​Profitability

* 



​Coverage

* 



​Financial

* 



​Liquidity

11)

A firm is expected to pay a dividend of $2.00 next year and $2.14 the following year. Financial analysts believe the stock will be at their target price of $75.00 in two years. Compute the value of this stock with a required return of 10 percent.

* 



​$65.57

* 



​$79.14

* 



​$66.67

* 



​$65.40

12)

Which of the following is a true statement?

* 



​If interest rates fall, U.S. Treasury bonds will have decreasing values.

* 



​If interest rates fall, corporate bonds will have decreasing values.

* 



​If interest rates fall, no bonds will enjoy rising values.

* 



​If interest rates fall, all bonds will enjoy rising values.

13)

Which of these statements is true regarding divisional WACC?

* 



​Using a simple firmwide WACC to evaluate new projects would give an unfair advantage to projects that present more risk than the firm's average beta.

* 



​Using a simple firmwide WACC to evaluate new projects would give an unfair advantage to projects that present less risk than the firm's average beta.

* 



​Using a divisional WACC versus a WACC for the firm's current operations will result in quite a few incorrect decisions.

* 



​Using a firmwide WACC to evaluate new projects would have no impact on projects that present less risk than the firm's average beta.

14)

Which of these does NOT perform vital functions to securities markets of all sorts by channeling funds from those with surplus funds to those with shortages of funds?

* 



​Mutual funds

* 



​Insurance companies

* 



​Commercial banks

* 



​Secondary markets

15)

We can estimate a stock's value by\_\_\_\_\_\_\_\_\_\_.

* 



​using the book value of the total assets divided by the number of shares outstanding

* 



​discounting the future dividends and future stock price appreciation

* 



​using the book value of the total stockholder equity section

* 



​compounding the past dividends and past stock price appreciation

16)

When firms use multiple sources of capital, they need to calculate the appropriate discount rate for valuing their firm's cash flows as\_\_\_\_\_\_\_\_\_\_.

* 



​a simple average of the capital components costs

* 



​they apply to each asset as they are purchased with their respective forms of debt or equity

* 



​a sum of the capital components costs

* 



​a weighted average of the capital components costs

17)

We commonly measure the risk-return relationship using which of the following?

* 



​Expected returns

* 



​Coefficient of variation

* 



​Correlation coefficient

* 



​Standard deviation

18)

Which of these is the term for portfolios with the highest return possible for each risk level?

* 



​Optimal portfolios

* 



​Efficient portfolios

* 



​Total portfolios

* 



​Modern portfolios

19)

Which of these provide a forum in which demanders of funds raise funds by issuing new financial instruments, such as stocks and bonds?

* 



​Investment banks

* 



​Secondary markets

* 



​Money markets

* 



​Primary markets

20)

The Rule of 72 is a simple mathematical approximation for\_\_\_\_\_\_\_\_\_\_.

* 



​the present value required to double an investment

* 



​the payments required to double an investment

* 



the future value required to double an investment

* 



​the number of years required to double an investment

21)

As new capital budgeting projects arise, we must estimate\_\_\_\_\_\_\_\_\_\_.

* 



​the cost of the loan for the specific project

* 



​the cost of the stock being sold for the specific project

* 



​the float costs for financing the project

* 



​when such projects will require cash flows

22)

Which financial statement reports a firm's assets, liabilities, and equity at a particular point in time?

* 



​Statement of cash flows

* 



​Balance sheet

* 



​Income statement

* 



​Statement of retained earnings

23) Which financial statement shows the total revenues that a firm earns and the total expenses the firm incurs to generate those revenues over a specific period of time — generally one year?

* 



​Statement of cash flows

* 



​Income statement

* 



​Statement of retained earnings

* 



​Balance sheet

24)

Which of these is used as a measure of the total amount of available cash flow from a project?

* 



​Sunk cash flow

* 



​Free cash flow

* 



​Investment in operating capital

* 



​Operating cash flow

25)

What are the tools available for the manager in financial planning?

* 



​Delaying disbursement of cash and cash management

* 



​Increasing inventory turnover and reducing collection period

* 



​Reducing collection period and delaying disbursement of cash

* 



​Delaying disbursement of cash, reducing collection period, cash management, and Increasing inventory turnover