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?

* Correct Answer



​8.00 percent

* Correct Answer



​7.73 percent

* Correct Answer



​16.00 percent

* Correct Answer



​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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​3) 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?

* Correct Answer



​8.00 percent

* Correct Answer



​7.73 percent

* Correct Answer



​16.00 percent

* Correct Answer



​8.40 percent

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?

* Correct Answer



​Lower production cost

* Correct Answer



​All of the above

* Correct Answer



​Diversification

* Correct Answer



​Access to raw materials

9)

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

* Correct Answer



​6.0 percent

* Correct Answer



​10.2 percent

* Correct Answer



​6.1 percent

* Correct Answer
* 

​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?

* Correct Answer



​Profitability

* Correct Answer



​Coverage

* Correct Answer



​Financial

* Correct Answer



​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.

* Correct Answer



​$65.57

* Correct Answer



​$79.14

* Correct Answer



​$66.67

* Correct Answer



​$65.40

12)

Which of the following is a true statement?

* Correct Answer



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

* Correct Answer



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

* Correct Answer



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

* Correct Answer



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

13)

Which of these statements is true regarding divisional WACC?

* Correct Answer



​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.

* Correct Answer



​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.

* Correct Answer



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

* Correct Answer



​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?

* Correct Answer



​Mutual funds

* Correct Answer



​Insurance companies

* Correct Answer



​Commercial banks

* Correct Answer



​Secondary markets

15)

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

* Correct Answer



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

* Correct Answer



​discounting the future dividends and future stock price appreciation

* Correct Answer



​using the book value of the total stockholder equity section

* Correct Answer



​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\_\_\_\_\_\_\_\_\_\_.

* Correct Answer



​a simple average of the capital components costs

* Correct Answer



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

* Correct Answer



​a sum of the capital components costs

* Correct Answer



​a weighted average of the capital components costs

17)

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

* Correct Answer



​Expected returns

* Correct Answer



​Coefficient of variation

* Correct Answer



​Correlation coefficient

* Correct Answer



​Standard deviation

18)

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

* Correct Answer



​Optimal portfolios

* Correct Answer



​Efficient portfolios

* Correct Answer



​Total portfolios

* Correct Answer



​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?

* Correct Answer



​Investment banks

* Correct Answer



​Secondary markets

* Correct Answer



​Money markets

* Correct Answer



​Primary markets

20)

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

* Correct Answer



​the present value required to double an investment

* Correct Answer



​the payments required to double an investment

* Correct Answer



the future value required to double an investment

* Correct Answer



​the number of years required to double an investment

21)

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

* Correct Answer



​the cost of the loan for the specific project

* Correct Answer



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

* Correct Answer



​the float costs for financing the project

* Correct Answer



​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?

* Correct Answer



​Statement of cash flows

* Correct Answer



​Balance sheet

* Correct Answer



​Income statement

* Correct Answer



​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?

* Correct Answer



​Statement of cash flows

* Correct Answer



​Income statement

* Correct Answer



​Statement of retained earnings

* Correct Answer



​Balance sheet

24)

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

* Correct Answer



​Sunk cash flow

* Correct Answer



​Free cash flow

* Correct Answer



​Investment in operating capital

* Correct Answer



​Operating cash flow

25)

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

* Correct Answer



​Delaying disbursement of cash and cash management

* Correct Answer



​Increasing inventory turnover and reducing collection period

* Correct Answer



​Reducing collection period and delaying disbursement of cash

* Correct Answer



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