I. **Multiple Choice Questions (Choose the best answer) , 50%:**

1. How long does it take for Jones Manufacturing to double their sales from one million dollars to two million dollars assuming the sales will grow at a compound rate of 9% per year?
   A) 8 years
   B) 7 years
   C) 10 years
   D) 10.1 years
2. The goal of financial managers is to:
   A) maximize sales
   B) maximize cost
   C) maximize profit
   D) maximize shareholder wealth
3. Cost of retained earnings reflects:
   A) stock dividend foregone
   B) stock split foregone
   C) opportunity cost to stockholder
   D) none of the above
4. The steel industry employs highly-automated equipment in their operations. Industry will have a relatively _____ operating leverage.
   A) high
   B) low
   C) zero
   D) stable
5. The annual interest of 12 percent compounded continuously complies implies an effective annual yield of:
   A) 12.75%
   B) 12.3%
   C) 12%
   D) 12.5%
6. The estimation of uniform payments to write off the interest and principal is referred to:
   A) loan rescheduling
   B) loan amortization
   C) callable loans
   D) none of the above
7. A one period project has a present value of cash flows of $2,000 and present value of cost of $1,800. Assuming the opportunity cost of capital of 15%, this implies:
   A) NPV of $200
   B) Profitability Index of 1.111
   C) IR is more than 15%
   D) all of the above

(背面仍有題目,請繼續作答)

8. The New York Stock Exchange is a(n) _____ market while the OTC is a(n) _____ market.
   A) auction, dealer
   B) dealer, auction
   C) primary, secondary
   D) national, regional
9. You sold ABC stock short at $80 per share. Your losses could be minimized by placing a ___
   A) limit-sell order
   B) limit-buy order
   C) stop-loss order\
   D) day-order
10. Firms which specialize in helping companies raise capital by selling securities are called _____.
   A) Underwriting banks
   B) investment banks
   C) savings banks
   D) consulting firms
11. The sales of a mortgage portfolio through setting up mortgage pass-through securities is an example of _____.
   A) bundling
   B) credit enhancement
   C) securitization
   D) unbundling
12. Which one of the following is true regarding the Dow Jones Industrial Average?
   A) It is a value-weighted average of 30 large industrial stocks
   B) It is a price-weighted average of 30 large industrial stocks.
   C) It is a price-weighted average of 100 large stocks traded on the New York Stock Exchange.
   D) It is a value-weighted average of all stocks traded on the New York Stock Exchange.
13. The _____ measures the reward to volatility trade-off by dividing the average portfolio excess return by the standard deviation of returns.
   A) Sharpe measure
   B) Treynor measure
   C) Jensen measure
   D) appraisal ratio
14. The Arbitrage Pricing Theory (APT) differs from the Capital Asset Pricing Model (CAPM) because the APT:
   A) places more emphasis on market risk
   B) minimizes the importance of diversification
   C) recognizes multiple unsystematic risk factors
   D) recognizes multiple systematic risk factors

15. What is the expected return of a zero-beta security?
    A) The market rate of return
    B) Zero rate of return
    C) A negative rate of return
    D) The risk-free rate
16. The weak form of the efficient market hypothesis contradicts _____.
    A) technical analysis, but supports fundamental analysis as valid
    B) fundamental analysis, but supports technical analysis as valid
    C) both fundamental analysis and technical analysis
    D) technical analysis, but is silent on the possibility of successful fundamental analysis
17. A coupon bond pays annual interest, has a par value of $1,000, matures in 4 years, has a coupon rate of 10%, and has a yield to maturity of 12%. The current yield on this bond is :
    A) 9.39%
    B) 10.00%
    C) 10.65%
    D) 12.00%
18. Holding other factors constant, which one of the following bonds have the smallest price volatility?
    A) 5-year, 0% coupon bond
    B) 5-year, 12% coupon bond
    C) 5-year, 14% coupon bond
    D) 6-year, 0% coupon bond
19. A preferred stock will pay a dividend of $4.50 in the upcoming year, and every year thereafter, i.e., dividends are not expected to grow. You require a return of 8% on this stock. Use the constant growth DDM to calculate the intrinsic value of this preferred stock.
    A) $0.36
    B) $0.56
    C) $36.00
    D) $56.25
20. The potential loss for a writer of a naked call option on a stock is
    A) limited
    B) unlimited
    C) less than the current stock price
    D) equal to the call premium
21. The intrinsic value of an out-of-money put option is equal to
    A) the stock price minus the strike price
    B) the put premium
    C) zero
    D) none of the above

22. All the inputs in the Black-Scholes Option Pricing Model are directly observable except
    A) the price of the underlying asset
    B) the risk free rate of interest
    C) the time to expiration
    D) the variance of the underlying asset return
23. A hedge ratio of .70 implies that a hedged portfolio should consist of
    A) long .70 calls for each short stock
    B) short .70 calls for each long stock
    C) long .70 shares for each short call
    D) long .70 shares for each long call
24. The open interest on silver futures at a particular time is the
    A) number of silver futures contracts traded during the day
    B) number of outstanding silver futures contracts for a particular delivery month
    C) number of silver futures contracts traded the previous day
    D) number of all silver futures outstanding contracts
25. If you determine that the S&P 500 Index futures is overpriced relative to the spot S&P 500 Index you would make arbitrage profit by
    A) buying all the stocks in S&P 500 and selling put options on S&P500 index
    B) selling short all the stocks in S&P 500 and buying S&P500 index futures
    C) selling all the stocks in S&P 500 and buying call options on S&P500 Index
    D) selling S&P 500 Index futures and buying all the stocks in the S&P500

II. Short Essay Questions, 50%:

1. (10%) Please comment on the following statements: "Markets will be efficient only if there are enough investors believe that they are not efficient."

2. (15%) In terms of the Markowitz Model, using words and graphs, explain how an investor goes about identifying his or her optimal portfolio. What specific information does an investor need to identify this portfolio?

3. (15%) What are agency problems and how do they come about? What are indirect and direct agency costs? Please demonstrated a real "agency problem" example that happened in the past year.

4. (10%) What are the relevant incremental cash flows for project evaluation? Explain why interest paid is not a relevant cash flow for project evaluation.