系所組別： 財務金融研究所
考試科目： 財務管理

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I. Multiple-Choice Questions (60%, each question accounts for 3%)

1. Which of the following are agency costs?
I. forgoing an investment opportunity which would add to the market value of the owner's equity
II. paying a dividend to each of the existing shareholders
III. purchasing new equipment which increases the value of each share of stock
IV. hiring outside auditors to verify the accuracy of the company financial statements
A. II and III only B. I and III only C. I and IV only
D. II and IV only E. I, II, and IV only

2. The higher the degree of financial leverage employed by a firm, the:
A. higher the probability that the firm will encounter financial distress.
B. lower the amount of debt incurred.
C. less debt a firm has per dollar of total assets.
D. higher the number of outstanding shares of stock.
E. lower the balance in accounts payable.

3. The three parts of the Du Pont identity can be described as:
A. operating efficiency, asset use efficiency, and profitability.
B. financial leverage, operating efficiency, and profitability.
C. the equity multiplier, the profit margin, and the total asset turnover.
D. the debt-equity ratio, the capital intensity ratio, and the profit margin.
E. the return on assets, the profit margin, and the equity multiplier.

4. Andrew's Specialty Store has sales of $200,000, net income of $18,500, total assets of $300,000, and total equity of $250,000. The firm paid $7,400 in dividends and maintains a constant dividend payout ratio. Currently, they are operating at full capacity. All costs and assets vary directly with sales. The firm does not want to obtain any additional external equity. At the sustainable rate of growth, how much new total debt must the firm acquire?
A. $0 B. $1,407 C. $2,323 D. $5,983 E. $6,112

5. Newtown Bank wants to appear competitive based on quoted loan rates and thus must offer an 8.7 percent annual percentage rate on its loans. What is the maximum rate the bank can actually earn based on the quoted rate?
A. 8.89 percent B. 8.94 percent C. 8.98 percent D. 9.02 percent E. 9.09 percent

6. A Treasury bond is quoted as 102:19 asked and 102:17 bid. What is the bid-ask spread in dollars on a $1,000 face value bond?
A. $.020 B. $.200 C. $.625 D. $2.00 E. $6.25

7. All else constant, a coupon bond that is selling at a premium, must have:
A. a coupon rate that is equal to the yield to maturity.
B. a market price that is less than par value.

(背面仍有題目,請繼續作答)

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C. semi-annual interest payments.
D. a yield to maturity that is less than the coupon rate.
E. a coupon rate that is less than the yield to maturity.

8. Last week, Northern Railways paid an annual dividend of $2.44 per share. The company has been reducing the dividends by 15 percent each year. How much are you willing to pay to purchase stock in this company if your required rate of return is 16 percent?
A. $6.69 B. $7.87 C. $36.60 D. $244.00 E. $280.06

9. The internal rate of return method of analysis:
A. may produce multiple rates of return when cash flows are conventional.
B. may lead to incorrect decisions when comparing mutually exclusive projects.
C. is rarely used in the business world today.
D. is the preferred method of analysis when projects are either mutually exclusive or have unconventional cash flows.
E. is dependent upon pre-specified rates used to discount the cash flows.

10. Which one of the following will increase the net present value of a project?
A. an increase in the discount rate
B. decreasing the amount of each cash inflow
C. increasing the amount of the initial cash outflow
D. decreasing the required rate of return
E. having all incoming cash flows occur in the final year of a project rather than periodically over a five-year period

11. Glassparts, Inc. uses machines to manufacture windshields for automobiles. One machine costs $142,000 and lasts about 5 years before it needs replaced. The operating cost per machine is $7,000 a year. What is the equivalent annual cost of one machine if the required rate of return is 11 percent? (Round your answer to whole dollars)
A. $30,811 B. $33,574 C. $35,400 D. $37,267 E. $45,421

12. ABC, Inc. is considering a project with a discounted payback just equal to the project's life. The projections include a sales price of $13, variable cost per unit of $10.50, and fixed costs of $5,000. The operating cash flow is $6,300. What is the break-even quantity?
A. 3,869 units B. 3,913 units C. 4,340 units D. 4,520 units E. 4,610 units

13. Last year, you purchased a stock at a price of $53.60 a share. Over the course of the year, you received $1.50 in dividends and inflation averaged 2.9 percent. Today, you sold your shares for $55.90 a share. What is your approximate real rate of return on this investment?
A. 4.2 percent B. 7.1 percent C. 7.9 percent D. 8.6 percent E. 10.0 percent

14. The capital asset pricing model (CAPM) assumes:
I. a risk-free asset has no systematic risk.
II. beta is a reliable estimate of total risk.
III. the risk-to-reward ratio is constant.
IV. the market rate of return can be approximated.
A. I and III only B. II and IV only C. I, III, and IV only
D. II, III, and IV only E. I, II, III, and IV

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15. Which of the following are examples of diversifiable risk?
I. tornado strikes an industrial park in Kansas
II. federal government imposes new workplace safety laws
III. local government increases property tax rates
IV. cost of worker's compensation insurance increases nationwide
A. I and III only B. II and IV only C. II and III only
D. I and IV only E. I, III, and IV only

16. You are considering a project which has been assigned a discount rate of 12 percent. If you start the project today, you will incur an initial cost of $2,500 and will receive cash inflows of $1,550 a year for two years. If you wait one year to start the project, the initial cost will rise to $2,725 and the cash flows will increase to $1,700 a year for two years. What is the value of the option to wait?
A. $12.64 B. $19.46 C. $28.51
D. $30.49 E. $34.68

17. Orson, Inc. uses one-third common stock and two-thirds debt to finance their operations. The aftertax cost of debt is 6 percent and the cost of equity is 12 percent. The management of Orson, Inc. is considering a project that will produce a cash inflow of $48,000 in the first year. The cash inflows will then grow at 4 percent per year thereafter. What is the maximum amount the firm can initially invest in this project to avoid a negative net present value for the project?
A. $800,000 B. $900,000 C. $1,000,000 D. $1,100,000 E. $1,200,000

18. A corporation's first sale of equity securities to the public is called a(n):
A. share repurchase program. B. shelf registration filing. C. private placement.
D. seasoned equity offering. E. initial public offering.

19. What is the value of a 9-month call with a strike price of $50 given the Black-Scholes Option Pricing Model and the following information?

Stock price	$47
Exercise price	$50
Time to expiration	.75
Risk-free rate	.04
$N(d_1)$	.46119
$N(d_2)$	.39334

A. $0 B. $0.26 C. $1.47 D. $1.90 E. $2.59

20. Which of the following statements concerning financial risk are correct?
I. Financial risk is the risk associated with the use of debt financing.
II. As financial risk increases so too does the cost of equity.
III. Financial risk is wholly dependent upon the financial policy of a firm.
IV. Financial risk is the risk that is inherent in a firm's operations.
A. I and III only B. II and IV only C. II and III only
D. I, II, and III only E. I, II, III, and IV

(背面仍有題目,請繼續作答)

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II. Short Essay Questions (40%):

1. (10%)Please explain the pros and cons of firms diversifying into other line of business. (Hints: think about how option pricing theory can be used to argue that firms pursuing diversification may not act in the shareholders' best interest.)

2.(10%). Suppose you own 100 shares of ABC common stock which you intend to sell today. Since you will sell it in the secondary market, firm ABC will receive no direct cash flows as a consequence of your sale. Why, then, should ABC firm's management personally care about the price you get for your shares?

3. (10%) Assuming only one risky bond and one stock exist in the market, if you are a very conservative investor, what will be your optimal asset allocation decision? Please use a mean –standard deviation diagram to support your argument and feel free to make whatever necessary assumptions.

4.(10%) Based on M&M with and without taxes, how much time should a financial manager spend analyzing the capital structure of a firm? What if the analysis is based on the static theory?