

系所組別：財務金融研究所在職專班甲組

考試科目：財務管理概論(專班)

考試日期：0222，節次：3

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Section A: Multiple Choice Questions (80 marks, 4 points each)

1. Which of the following statements is most correct?
 - a. If investors become more risk averse, but r_{RF} remains constant, the required rate of return on high beta stocks will rise, the required return on low beta stocks will decline, but the required return on an average risk stock will not change.
 - b. If Mutual Fund A held equal amounts of 100 stocks, each of which had a beta of 1.0, and Mutual Fund B held equal amounts of 10 stocks with betas of 1.0, then the two mutual funds would both have betas of 1.0 and thus would be equally risky from an investor's standpoint.
 - c. An investor who holds just one stock will be exposed to more risk than an investor who holds a portfolio of stocks, assuming the stocks are all equally risky. Since the holder of the 1-stock portfolio is exposed to more risk, he or she can expect to earn a higher rate of return to compensate for the greater risk.
 - d. Assume that the required rate of return on the market, r_M , is given and fixed. If the yield curve were upward-sloping, then the Security Market Line (SML) would have a steeper slope if 1-year Treasury securities were used as the risk-free rate than if 30-year Treasury bonds were used for r_{RF} .
 - e. Statements a, b, c, and d are false.

2. You estimate that you will have \$31,870 in student loans by the time you graduate. The interest rate is 5.45 percent. If you want to have this debt paid in full within four years, how much must you pay each month?
 - a. \$737.11
 - b. \$738.82
 - c. \$739.34
 - d. \$740.46
 - e. \$741.09

3. Your car dealer is willing to lease you a new car for \$199 a month for 72 months. Payments are due on the first day of each month starting with the day you sign the lease contract. If your cost of money is 5.45 percent, what is the current value of the lease?
 - a. \$11,708.18
 - b. \$11,297.60
 - c. \$11,597.74
 - d. \$11,993.14
 - e. \$12,253.14

(背面仍有題目,請繼續作答)

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4. International bonds issued in multiple countries but denominated in a single currency are called:
- Eurobonds.
 - Bulldog bonds.
 - Treasury bonds.
 - Yankee bonds.
 - Samurai bonds.
5. Protective covenants:
- are primarily designed to protect the issuing corporation from unreasonable demands of bondholders.
 - are primarily designed to protect bondholders from future actions of the bond issuer.
 - are limited to stating actions which a firm must take.
 - only apply to bonds that have a deferred call provision.
 - generally apply only to government bonds .
6. A put provision in a bond indenture allows:
- a bond issuer to recall the bond after a specified period of time but only at a price that exceeds the face amount.
 - a bondholder to force the issuer to increase the coupon rate if inflation increases by more than a specified amount.
 - the bondholder to force the issuer to buy back the bond at a specified price prior to maturity.
 - the issuer to convert a coupon bond into a zero coupon bond at their discretion.
 - the issuer to suspend interest payments for any year in which the interest expense exceeds the net income of the firm.
7. You are trying to determine the present value of two separate streams of cash flows. One stream is expressed in nominal values and the other stream is expressed in real values. You should discount the nominal cash flows using a _____ rate and discount the real cash flows using _____ rate.
- nominal; an equivalent real
 - real; the same real
 - nominal; an equivalent inflation
 - real; the identical inflation
 - nominal; the same nominal

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8. The Herb Garden common stock sells for \$43.70 a share and has a market rate of return of 11.6 percent. The company just paid an annual dividend of \$1.42 per share. What is the dividend growth rate?
- a. 5.32 percent
 - b. 5.73 percent
 - c. 7.82 percent
 - d. 8.09 percent
 - e. 8.14 percent
9. Shelly's Boutique is evaluating a project which will increase annual sales by \$70,000 and annual costs by \$40,000. The project will initially require \$100,000 in fixed assets which will be depreciated straight-line to a zero book value over the 5-year life of the project. The applicable tax rate is 34 percent. What is the operating cash flow for this project?
- a. \$26,400
 - b. \$26,600
 - c. \$30,000
 - d. \$46,400
 - e. \$46,600
10. Expansion, Inc. purchased a building for \$485,000 seven years ago. Five years ago, repairs were made to the building which cost \$80,000. The annual taxes on the property are \$30,000. The building has a current market value of \$424,000 and a current book value of \$399,000. The building is totally paid for and solely owned by the firm. If the company decides to assign this building to a new project, what value, if any, should be included in the initial cash flow of the project for this building?
- a. \$0
 - b. \$424,000
 - c. \$454,000
 - d. \$485,000
 - e. \$504,000

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11. At the accounting break-even level of sales, the operating cash flow is equal to:
- depreciation.
 - zero.
 - fixed costs plus depreciation.
 - net income plus taxes.
 - the variable costs.
12. Which one of the following is indicative of a totally efficient stock market?
- extraordinary returns earned on a routine basis
 - positive net present values over the long-term
 - zero net present values for all stocks
 - arbitrage opportunities which develop on a routine basis
 - realizing negative returns on a routine basis
13. The reward-to-risk ratio for stock A exceeds the reward-to-risk ratio of stock B. Stock A has a beta of 1.4 and stock B has a beta of .90. This information implies that:
- stock A is riskier than stock B and both stocks are fairly priced.
 - stock A is less risky than stock B and both stocks are fairly priced.
 - either stock A is overpriced or stock B is underpriced or both.
 - both stock A and stock B are correctly priced since stock A is riskier than stock B.
 - either stock A is underpriced or stock B is overpriced or both.
14. You want your portfolio beta to be 1.10. Currently, your portfolio consists of \$3,000 invested in stock A with a beta of 1.65 and \$2,000 in stock B with a beta of .72. You have another \$5,000 to invest and want to divide it between an asset with a beta of 1.48 and a risk-free asset. How much should you invest in the risk-free asset?
- \$1,885
 - \$1,975
 - \$2,885
 - \$3,115
 - \$5,000

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15. Wayne's of New York specializes in clothing for female executives living and working in the financial district of New York City. Allen's of PA. specializes in clothing for women who live and work in the rural areas of Western Pennsylvania. Both firms are currently considering expanding their clothing line to encompass working women in the rural upstate region of New York state. Wayne's currently has a cost of capital of 11 percent while Allen's cost of capital is 9 percent. The expansion project has a projected net present value of \$36,900 at a 9 percent discount rate and a net present value of \$13,200 at an 11 percent discount rate. Which firm or firms should expand into rural New York state?
- Wayne's only
 - Allen's only
 - both Wayne's and Allen's
 - neither Wayne's nor Allen's
 - cannot be determined from the information provided
16. A lockup agreement is an agreement included in an underwriting contract which:
- guarantees the purchase of the entire issue by the underwriting syndicate.
 - guarantees that additional shares can be purchased by the underwriting syndicate at the offer price during a stated period of time.
 - prohibits the issuer from offering additional securities for sale for an agreed upon period of time.
 - establishes the gross spread to which the underwriters are entitled as a fee for services.
 - prohibits company insiders from selling their securities to the public during the 180 day period following an IPO.
17. The type of underwriting where a syndicate sells as much of an issue as possible, but can return any unsold securities to the issuing firm without any further financial responsibility, is called a _____ offering.
- best efforts
 - shelf
 - direct rights
 - private placement
 - firm commitment

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18. M&M Proposition II is the proposition that:
- supports the argument that the capital structure of a firm is irrelevant to the value of the firm.
 - a firm's cost of equity capital is a positive linear function of the firm's capital structure.
 - the cost of equity depends on the return on debt, the debt-equity ratio, and the tax rate.
 - the cost of equity is equivalent to the required return on the total assets of a firm.
 - supports the argument that the size of the pie does not depend on how the pie is sliced.
19. Which one of the following is an argument in favor of a low dividend policy?
- the tax on capital gains is deferred until the gain is realized
 - few, if any, positive net present value projects are available to the firm
 - a preponderance of stockholders have minimal taxable income
 - a majority of stockholders have other investment opportunities that offer higher rewards with similar risk characteristics
 - corporate tax rates exceed personal tax rates
20. Money deposited in a financial center outside the country whose currency is involved is called:
- a foreign depository receipt.
 - an international exchange certificate.
 - Eurocurrency.
 - Euroyen.
 - Eurodollars.

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Section B: Essay Questions (20 marks)

1. The empirical evidence strongly indicates that the stockholders of the target firm realize large wealth gains as a result of a takeover bid but the stockholders in the acquiring firm gain little, if anything. Although there exists no definitive answer as to why this is the case, several possible explanations have been proposed. List and explain three of these possible explanations for the minimal returns to the acquiring firm's stockholders. (10 pts)

2. Explain how the floor and the ceiling prices for a convertible bond are determined. (10 pts)