

※ 考生請注意：本試題可使用計算機。請於答案卷(卡)作答，於本試題紙上作答者，不予計分。

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

1. The person generally directly responsible for overseeing the cash and credit functions, financial planning, and capital expenditures is the:
 - a. treasurer.
 - b. director.
 - c. controller.
 - d. chairman of the board.
 - e. chief operations officer.

2. Cash flow from assets is also known as the firm's:
 - a. capital structure.
 - b. equity structure.
 - c. hidden cash flow.
 - d. free cash flow.
 - e. historical cash flow.

3. The quick ratio is measured as:
 - a. current assets divided by current liabilities.
 - b. (cash on hand plus accounts receivable) divided by current assets.
 - c. current liabilities divided by current assets.
 - d. cash on hand divided by current liabilities.
 - e. (current assets minus inventory) divided by current liabilities.

4. The internal growth rate of a firm is best described as the:
 - a. minimum growth rate achievable if the firm does not pay out any cash dividends.
 - b. minimum growth rate achievable if the firm maintains a constant equity multiplier.
 - c. maximum growth rate achievable without external financing of any kind.
 - d. maximum growth rate achievable without using any external equity financing while maintaining a constant debt-equity ratio.
 - e. maximum growth rate achievable without any limits on the level of debt financing.

5. You have a sub-contracting job with a local manufacturing firm. Your agreement calls for annual payments of \$82,000 for the next 3 years. At a discount rate of 9.5 percent, what is this job worth to you today?
- \$162,556.16
 - \$205,730.36
 - \$209,408.37
 - \$211,417.06
 - \$213,918.01
6. You need some money today and the only friend you have that has any is your miserly friend. He agrees to loan you the money you need, if you make payments of \$15 a month for the next nine months. In keeping with his reputation, he requires that the first payment be paid today. He also charges you 2 percent interest per month. How much money are you borrowing?
- \$120.67
 - \$122.43
 - \$124.88
 - \$126.49
 - \$135.00
7. A Treasury yield curve is defined as the plotting of the yields on Treasury securities relative to:
- market interest rates.
 - comparable corporate bond yields.
 - the risk-free rate.
 - inflation.
 - maturity.
8. A newly issued bond has a 6 percent coupon with semiannual interest payments. The bonds are currently priced at par value. The effective annual rate provided by these bonds must be:
- equal to 3 percent.
 - greater than 3 percent but less than 4 percent.
 - equal to 6 percent.
 - greater than 6 percent but less than 7 percent.
 - equal to 12 percent.

9. Beach Combers International has 5.75 percent coupon bonds outstanding with a current market price of \$689.40. The yield to maturity is 11.20 percent and the face value is \$1,000. Interest is paid semiannually. How many years is it until these bonds mature?
- 8.64 years
 - 9.33 years
 - 18.66 years
 - 23.25 years
 - 37.32 years
10. The inside quotes for a security are the:
- first posted bid and ask quotes of the trading day.
 - price quotes which apply only on the floor of the exchange.
 - highest bid quote and the lowest asked quote.
 - lowest bid quote and the highest asked quote.
 - averages of all the bid and ask quotes listed in the specialist's order book.
11. The Good Life offers a common stock that pays an annual dividend of \$2 a share. The company has promised to maintain a constant dividend. How much are you willing to pay for one share of this stock if you want to earn a 9 percent return on your equity investments?
- \$22.22
 - \$24.22
 - \$26.67
 - \$28.57
 - \$31.14
12. The internal rate of return for a project will increase if:
- the initial cost of a project is increased.
 - the total amount of the cash inflows is reduced.
 - each cash inflow is moved such that it occurs one year later than originally projected.
 - the required rate of return is increased.
 - the salvage value of the assets utilized by the project is increased.

13. Layla's Distribution Co. is considering a project which will require the purchase of \$1.8 million in new equipment. The equipment will be depreciated straight-line to a zero book value over the 5-year life of the project. Layla's expects to sell the equipment at the end of the project for 10 percent of its original cost. Annual sales from this project are estimated at \$1.3 million. Net working capital equal to 30 percent of sales will be required to support the project. All of the net working capital will be recouped at the end of the project. The firm desires a minimal 15 percent rate of return on this project. The tax rate is 34 percent. What is the amount of the after-tax salvage value of the equipment?
- \$0
 - \$61,200
 - \$118,800
 - \$180,000
 - \$237,600
14. Bright Lighting is expanding its product offerings to reach a wider range of customers. The expansion project includes increasing the floor inventory by \$175,000 and increasing its debt to suppliers by 60 percent of that amount. The company will also spend \$180,000 for a building contractor to expand the size of the showroom. As part of the expansion plan, the company will be offering credit to its customers and thus expects accounts receivable to rise by \$35,000. For the project analysis, what amount should be used as the initial cash flow for net working capital?
- \$35,000
 - \$70,000
 - \$105,000
 - \$175,000
 - \$210,000
15. The Baltimore Co. would like to add a new product to complete their lineup. They want to know how many units they must sell to limit their potential loss to their initial investment. What is this quantity if their fixed costs are \$14,000, the depreciation expense is \$2,800, and the contribution margin is \$1.25?
- 2,240 units
 - 6,880 units
 - 8,960 units
 - 11,200 units
 - 13,440 units

16. 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?
- 4.2 percent
 - 7.1 percent
 - 7.9 percent
 - 8.6 percent
 - 10.0 percent
17. What are the arithmetic and geometric average returns for a stock with annual returns of 26 percent, 4 percent, - 30 percent, 43 percent, and 7 percent?
- 10.0 percent; 7.0 percent
 - 10.0 percent; 8.8 percent
 - 10.0 percent; 21.8 percent
 - 12.5 percent; 7.0 percent
 - 12.5 percent; 8.8 percent
18. You have a \$9,000 portfolio which is invested in stocks A, B, and a risk-free asset. \$4,000 is invested in stock A. Stock A has a beta of 1.84 and stock B has a beta of 0.68. How much needs to be invested in stock B if you want a portfolio beta of .95?
- \$0
 - \$1,750
 - \$3,279
 - \$5,000
 - \$7,279
19. You own both a November 45 call and a November 45 put. If the put finishes in the money, then the call will:
- also finish in the money.
 - finish at the money.
 - finish out of the money.
 - either finish at the money or in the money.
 - either finish at the money or out of the money.

20. Which of the following statements are correct concerning convertible bonds?

- I. New shares of stock are issued when a convertible bond is converted.
 - II. A convertible bond is similar to a bond with a put option.
 - III. A convertible bond should never be worth less than its straight bond value.
 - IV. A convertible bond can be described as having upside potential with downside protection.
- a. I and III only
 - b. II and IV only
 - c. I, II, and III only
 - d. I, III, and IV only
 - e. II, III, and IV only

Section B: Essay Questions (20 marks)

1. Explain how dividends affect individual shareholders differently than an equal amount of funds spent on a stock repurchase.

2. Explain whether or not an investor should expect all of his or her investments to have zero net present values in an efficient market.