

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：0306，節次：3

※ 考生請注意：本試題 可 不可 使用計算機

1. Multiple-Choice questions (50%, each question accounts for 2%):

1. The management of a firm's short-term assets and liabilities is called:

- A. working capital management. B. debt management. C. equity management.
D. capital budgeting. E. capital structure.

2. Noncash items refer to:

- A. the talents of the firm's employees which are not reflected in the financial statements.
B. the accounts payable of a firm.
C. the costs incurred for the purchase of intangible fixed assets.
D. expenses charged against revenues that do not directly affect cash flow.
E. sales which are made on credit.

3. During the year, The Train Stop decreased its accounts receivable by \$60, increased its inventory by \$130, and decreased its accounts payable by \$20. For these three accounts, the firm has a net:

- A. \$90 use of cash. B. \$50 use of cash. C. \$170 use of cash.
D. \$90 source of cash. E. \$50 source of cash.

4. Raoul has \$800 today. Which one of the following statements is correct if he invests this money at a positive rate of interest for ten years? Assume the interest is compounded annually.

- A. The higher the interest rate he earns, the less money he will have in the future.
B. The higher the interest rate, the longer he has to wait for his money to grow to \$2,000 in value.
C. If Raoul can earn 7 percent, he will have to wait about six years to have \$1,600 total.
D. At the end of the ten years, Raoul will have less money if he invests at 9 percent rather than at 8 percent.
E. At 7.2 percent interest, Raoul should expect to have about \$1,600 in his account at the end of the ten years.

5. You just won a national sweepstakes! For your prize, you opted to receive never-ending payments. The first payment will be \$10,000 and will be paid one year from today. Every year thereafter until forever, the payments will increase by 4 percent annually. What is the present value of your prize at a discount rate of 10 percent?

- A. \$166,666.67 B. \$172,500.00 C. \$183,333.33 D. \$191,406.15 E. \$200,000.00

6. Angela is able to pay \$230 a month for 6 years on a car loan. If the interest rate is 7.9 percent, how much can she afford to borrow to buy a car?

- A. \$13,154.54 B. \$13,408.17 C. \$13,528.28 D. \$13,666.67 E. \$13,809.19

7. "Cat" bonds are primarily designed to help:

- A. cities recover from economic recessions. B. corporations recover from overseas competition.
C. the federal government cope with huge deficits. D. animal shelters build facilities to house stray animals.
E. insurance companies recover from natural disasters.

8. Wesley-Townsend bonds have an 8.25 percent coupon and pay interest annually. The face value is \$1,000 and the current market price is \$1,004.60 per bond. The bonds mature in 17.5 years. What is the yield to

(背面仍有題目,請繼續作答)

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maturity?

- A. 7.82 percent B. 7.97 percent C. 8.20 percent D. 8.25 percent E. 8.45 percent

9. An unsecured debt of a firm with a maturity of 10 years or more is called a(n):

- A. unfunded liability. B. sinking funds. C. blanket bond. D. note E. debenture.

10. Which one of the following bonds has the greatest interest rate risk?

- A. 3-year; 4 percent coupon B. 3-year; 6 percent coupon C. 5-year; 6 percent coupon
-
- D. 7-year; 6 percent coupon E. 7-year; 4 percent coupon

11. Textile Importers paid a \$1.60 per share annual dividend last week. Dividends are expected to increase by 4 percent annually. What is one share of this stock worth to you today if your required rate of return is 13.5 percent?

- A. \$16.84 B. \$17.52 C. \$19.23 D. \$19.87 E. \$20.59

12. Which one of the following transactions occurs in the primary market?

- A. the sale of 100 shares of Delta stock by Tami Lynn to Jennifer Lee
-
- B. the tax-free gift of Angel stock to the Faith Church from Isaac
-
- C. the repurchase of GP stock from Ted by Eddie
-
- D. the initial sale of MG stock to Katie by MG Enterprises
-
- E. the transfer of GO stock from Sue to her son, Pete

13. You recently purchased a share of Wise Brothers stock at a cost of \$33. You simultaneously purchased a put on one share of Wise Brothers stock at a cost of \$2.50 and a strike price of \$35. The put was for a period of one year. How much profit will you earn if the stock is worth \$34 at the end of the one-year period?

- A. -\$1.50 B. -\$0.50 C. \$1.00 D. \$2.00 E. \$2.50

14. You are considering the following two mutually exclusive projects. The required rate of return is 10.75 percent for project A and 12 percent for project B. Which project should you accept and why?

Year	Project A	Project B
0	-\$36,000	-\$69,900
1	21,600	52,600
2	18,200	46,100
3	22,100	0

- A. project A; because it has the lower required rate of return
-
- B. project A; because its NPV is about \$796 more than the NPV of project B
-
- C. project B; because it has the largest total cash inflow
-
- D. project B; because it returns all its cash flows within two years
-
- E. project B; because it is the largest sized project

15. You are considering a project with the following data:

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Internal rate of return	11.4 percent
Profitability ratio	1.03
Net present value	\$437
Payback period	3.1 years
Required return	11.25 percent

Which one of the following is correct given this information?

- A. The discount rate used in computing the net present value was less than 11.25 percent.
 B. The discounted payback period will have to be less than 3.1 years.
 C. The discount rate used to compute the profitability ratio was equal to the internal rate of return.
 D. This project should be accepted based on the profitability ratio.
 E. This project should be rejected based on the internal rate of return.

16. 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

17. Which of the following are characteristics of a project with sales set at the cash break-even point?

- I. The project never pays back. II. The IRR equals the required rate of return.
 III. The NPV is negative and equal to the initial cash outlay.
 IV. The operating cash flow is equal to the depreciation expense.
 A. I and III only B. II and IV only C. I, II, and III only
 D. II, III, and IV only E. I, II, III, and IV

18. You sold one call option contract with a strike price of \$42.50 when the option was quoted at \$1.10. The option expires today when the value of the underlying stock is \$38.10. Ignoring trading costs and taxes, what is your net profit or loss on your investment?

- A. -\$550 B. -\$110 C. \$0 D. \$110 E. \$550

19. Which one of the following statements is correct?

- A. The value of a call increases as the price of the underlying stock increases.
 B. The value of a call increases as the exercise price increases.
 C. The value of a put increases as the price of the underlying stock increases.
 D. The value of a put decreases as the exercise price increases.
 E. The intrinsic value of a put must be zero on the expiration date.

20. Buyers of call options _____ required to post margin deposits and sellers of put options _____ required to post margin deposits.

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A. are; are not B. are; are C. are not; are D. are not; are not E. are always; are sometimes

21. Which one of the following is indicative of a totally efficient stock market?

- A. extraordinary returns earned on a routine basis B. positive net present values over the long-term
C. zero net present values for all stocks D. arbitrage opportunities which develop on a routine basis
E. realizing negative returns on a routine basis

22. Your personal opinion is that a security has an expected rate of return of 0.11. It has a beta of 1.5. The risk-free rate is 0.05 and the market expected rate of return is 0.09. According to the Capital Asset Pricing Model, this security is

- A. underpriced. B. overpriced. C. fairly priced
D. cannot be determined from data provided. E. none of the above.

23. Cameron Industries is expected to pay an annual dividend of \$1.30 a share next month. The market price of the stock is \$24.80 and the growth rate is 3 percent. What is the firm's cost of equity?

- A. 7.58 percent B. 7.91 percent C. 8.24 percent D. 8.40 percent E. 8.76 percent

24. You own shares of a stock. You believe the stock price will increase in the future. However, you realize the stock price could decline and want to hedge that risk. Which one of the following option positions should you take to create the desired hedge?

- A. buy a call B. sell a call C. buy a put D. sell a put E. none of these

25. Consider an investment opportunity set formed with two securities that are perfectly negatively correlated. The global minimum variance portfolio has a standard deviation that is always

- A. greater than zero B. equal to zero. C. equal to the sum of the securities' standard deviations.
D. equal to -1. E. none of the above.

II. Short-Essay Questions (50%):

- (10%) Please explain "the mutual fund theorem," and use an expected return- standard deviation diagram to support your arguments.
- (10%) Discuss duration. Include in your discussion what duration measures, how duration relates to maturity, what variables affect duration.
- (10%) What are the basic differences between warrants, call options, and convertible bonds?
- (10%) What are the key advantages and disadvantages of the internal rate of return method of analysis?
- (10%) What is operating leverage and why is it important in the analysis of capital expenditure projects?