Answer=Underline

FINANCIAL STATEMENT AND ANALYSIS

A technique uses in comparative analysis of financial statement is

A. graphical analysis
B. preference analysis
C. <u>common size analysis</u>
D. returning analysis

Net income available to stockholders is $125 and total assets are $1,096 then return on common equity would be

A. 0.11%
B. <u>11.40%</u>
C. 0.12 times
D. 12%

Price per share is $30 and an earnings per share is $3.5 then price for earnings ratio would be

A. <u>8.57 times</u>
B. 8.57%
C. 0.11 times
D. 11%

Price per share is $25 and cash flow per share is $6 then price to cash flow ratio would be

A. 0.24 times
B. <u>4.16 times</u>
C. 4.16%
D. 24%

Low price for earnings ratio is result of

A. <u>low riskier firms</u>
B. high riskier firms

C. low dividends paid
D. high marginal rate

Profit margin = 4.5%, assets turnover = 2.2 times, equity multiplier = 2.7 times then return on assets will be

A. 26.73%
B. 26.73 times
C. 9.40%
D. 0.4 times

Formula such as net income available for common stockholders divided by total assets is used to calculate

A. return on total assets
B. return on total equity
C. return on debt
D. return on sales

Price per ratio is divided by cash flow per share ratio which is used for calculating

A. dividend to stock ratio
B. sales to growth ratio
C. cash flow to price ratio
D. price to cash flow ratio

A techniques uses to identify financial statements trends are included

A. common size analysis
B. percent change analysis
C. returning ratios analysis
D. Both A and B

Net income available to stockholders is $150 and total assets are $2,100 then return on total assets would be

A. 0.07%
B. 7.14%
C. 0.05 times
D. 7.15 times

A formula such as net income available to common stockholders divided by common equity is used to calculate

A. return on earning power
B. return on investment
C. return on common equity
D. return on interest

Companies that help to set benchmarks are classified as

A. competitive companies
B. benchmark companies
C. analytical companies
D. return companies

Total assets divided common equity is a formula uses for calculating

A. equity multiplier
B. graphical multiplier
C. turnover multiplier
D. stock multiplier

Price per share divided by earnings per share is formula for calculating

A. price earnings ratio
B. earning price ratio
C. pricing ratio
D. earning ratio

Profit margin multiply assets turnover multiply equity multiplier is used to calculate

A. return on turnover
B. return on stock
C. return on assets
D. <u>return on equity</u>

Company low earning power and high interest cost cause financial changes which have

A. high return on equity
B. <u>high return on assets</u>
C. low return on assets
D. low return on equity

Ratios which relate firm's stock to its book value per share, cash flow and earnings are classified as

A. return ratios
B. <u>market value ratios</u>
C. marginal ratios
D. equity ratios

An equation in which total assets are multiplied to profit margin is classified as

A. <u>du DuPont equation</u>
B. turnover equation
C. preference equation
D. common equation

Price earning ratio and price by cash flow ratio are classified as

A. marginal ratios
B. equity ratios
C. return ratios
D. <u>market value ratios</u>

Return on assets = 5.5%, Total assets $3,000 and common equity $1,050 then return on equity would be

A. $22,275
B. <u>15.71%</u>
C. 1.93%
D. 1.925 times

Return on assets = 5.5%, Total assets $3,000 and common equity $1,050 then return on equity would be

A. $22,275
B. 15.71%
C. 1.93%
D. 1.925 times

High price to earning ratio shows company's

A. low dividends paid
B. high risk prospect
C. high growth prospect
D. high marginal rate

Return on assets = 6.7% and equity multiplier = 2.5% then return on equity will be

A. 16.75%
B. 2.68%
C. 0.37%
D. 9.20%

Process of comparing company results with other leading firms is considered as

A. comparison
B. analysis
C. benchmarking
D. return analysis

An equity multiplier is multiplied to return on assets to calculate

A. return on assets
B. return on multiplier
C. return on turnover
D. return on stock

Capital Budgeting Evaluating Cash Flows

A project whose cash flows are more than capital invested for rate of return then net present value will be

A. positive
B. independent
C. negative

D. zero

In mutually exclusive projects, project which is selected for comparison with others must have

A. higher net present value
B. lower net present value
C. zero net present value
D. all of above

Relationship between Economic Value Added (EVA) and Net Present Value (NPV) is considered as

A. valued relationship
B. economic relationship
C. direct relationship
D. inverse relationship

An uncovered cost at start of year is $200, full cash flow during recovery year is $400 and prior years to full recovery is 3 then payback would be

A. 5 years
B. 3.5 years
C. 4 years
D. 4.5 years

In capital budgeting, positive net present value results in

A. negative economic value added
B. positive economic value added
C. zero economic value added
D. percent economic value added

An uncovered cost at start of year is divided by full cash flow during recovery year then added in prior years to full recovery for calculating

A. original period
B. investment period
C. payback period
D. forecasted period

In cash flow analysis, two projects are compared by using common life is classified as

A. transaction approach
B. replacement chain approach
C. common life approach
D. Both B and C

Other factors held constant, but lesser project liquidity is because of

A. shorter payback period
B. greater payback period
C. less project return
D. greater project return

In capital budgeting, an internal rate of return of project is classified as its

A. external rate of return
B. internal rate of return
C. positive rate of return
D. negative rate of return

In independent projects evaluation, results of internal rate of return and net present value lead to

A. cash flow decision
B. cost decision
C. same decisions
D. different decisions

In internal rate of returns, discount rate which forces net present values to become zero is classified as

A. positive rate of return
B. negative rate of return
C. external rate of return
D. internal rate of return

Projects which are mutually exclusive but different on scale of production or time of completion then the

A. external return method
B. net present value of method
C. net future value method
D. internal return method

Graph which is plotted for projected net present value and capital rates is called

A. net loss profile
B. net gain profile
C. net future value profile
D. net present value profile

A modified internal rate of return is considered as present value of costs and is equal to

A. p.v of hurdle rate
B. fv of hurdle rate
C. p.v of terminal value
D. fv of terminal value

Set of projects or set of investments usually maximize firm value is classified as

A. optimal capital budget
B. minimum capital budget
C. maximum capital budget
D. greater capital budget

A point where profile of net present value crosses horizontal axis at plotted graph indicates project

A. costs
B. cash flows
C. <u>internal rate of return</u>
D. external rate of return

Modified rate of return and modified internal rate of return with exceed cost of capital if net present value is

A. <u>positive</u>
B. negative
C. zero
D. one

Payback period in which an expected cash flows are discounted with help of project cost of capital is classified as

A. <u>discounted payback period</u>
B. discounted rate of return
C. discounted cash flows
D. discounted project cost

In capital budgeting, a negative net present value results in

A. zero economic value added
B. percent economic value added
C. <u>negative economic value added</u>
D. positive economic value added

Number of years forecasted to recover an original investment is classified as

A. <u>payback period</u>
B. forecasted period
C. original period
D. investment period

In capital budgeting, term of bond which has great sensitivity to interest rates is

A. <u>long-term bonds</u>
B. short-term bonds
C. internal term bonds
D. external term bonds

Process in which managers of company identify projects to add value is classified as

A. capital budgeting
B. cost budgeting
C. book value budgeting
D. equity budgeting

A discount rate which equals to present value of TV to project cost present value is classified as

A. negative internal rate of return
B. modified internal rate of return
C. existed internal rate of return
D. relative rate of return

Project whose cash flows are sufficient to repay capital invested for rate of return then net present value will be

A. negative
B. zero
C. positive
D. independent

Present value of future cash flows is $2000 and an initial cost is $1100 then profitability index will be

A. 55%
B. 1.82
C. 0.55
D. 1.82%

Profitability index in capital budgeting is used for

A. negative projects
B. relative projects
C. evaluate projects
D. earned projects

Other factors held constant, greater project liquidity is because of

A. less project return
B. greater project return
C. shorter payback period
D. greater payback period

In capital budgeting, number of non-normal cash flows have internal rate of returns are

A. one
B. multiple
C. accepted
D. non-accepted

An internal rate of return in capital budgeting can be modified to make it representative of

A. relative outflow
B. relative inflow
C. relative cost
D. relative profitability

Situation in which firm limits expenditures on capital is classified as

A. optimal rationing
B. capital rationing
C. marginal rationing
D. transaction rationing

Present value of future cash flows is divided by an initial cost of project to calculate

A. negative index
B. exchange index
C. project index
D. profitability index

If net present value is positive then profitability index will be

A. greater than two
B. equal to
C. less than one
D. greater than one

Cash flows occurring with more than one change in sign of cash flow are classified as

A. non-normal cash flow
B. normal cash flow
C. normal costs
D. non-normal costs

First step in calculation of net present value is to find out

A. present value of equity
B. future value of equity
C. present value cash flow
D. future value of cash flow

Sum of discounted cash flows is best defined as

A. technical equity
B. defined future value
C. project net present value
D. equity net present value

Life that maximizes net present value of an asset is classified as

A. minimum life
B. present value life
C. economic life
D. transaction life

If two independent projects having hurdle rate then both projects should

A. be accepted
B. not be accepted
C. have capital acceptance
D. have return rate acceptance

Cash outflows are costs of project and are represented by

A. negative numbers
B. positive numbers
C. hurdle number
D. relative number

Cash flow which starts negative than positive then again positive cash flow is classified as

A. normal costs
B. non-normal costs
C. non-normal cash flow
D. normal cash flow

In estimating value of cash flows, compounded future value is classified as its

A. terminal value
B. existed value
C. quit value
D. relative value

In large expansion programs, increased riskiness and floatation cost associated with project can cause

A. rise in marginal cost of capital
B. fall in marginal cost of capital
C. rise in transaction cost of capital
D. rise in transaction cost of capital

Cash inflows are revenues of project and are represented by

A. hurdle number
B. relative number
C. negative numbers
D. positive numbers

A type of project whose cash flows would not depend on each other is classified as

A. project net gain
B. independent projects
C. dependent projects
D. net value projects

Net present value, profitability index, payback and discounted payback are methods to

A. evaluate cash flow
B. evaluate projects
C. evaluate budgeting
D. evaluate equity

Bonds and Bond Valuation

Second mortgages pledged against bond's security are referred as

A. loan mortgages
B. medium mortgages
C. senior mortgages
D. junior mortgages

Long period of bond maturity leads to

A. more price change
B. stable prices
C. standing prices
D. mature prices

If coupon rate is equal to going rate of interest then bond will be sold

A. at par value
B. below its par value
C. more than its par value
D. seasoned par value

Falling interest rate leads change to bondholder income which is

A. reduction in income
B. increment in income
C. matured income
D. frequent income

Bonds issued by corporations and exposed to default risk are classified as

A. corporation bonds
B. default bonds
C. risk bonds
D. zero risk bonds

Treasury bonds are exposed to additional risks that are included

A. reinvestment risk
B. interest rate risk
C. investment risk
D. Both A and B

Reinvestment risk of bonds is higher on

A. short maturity bonds
B. high maturity bonds
C. high premium bonds
D. high inflated bonds

Bonds that have high liquidity premium are usually have

A. inflated trading
B. default free trading
C. less frequently traded
D. frequently traded

Bond which is offered below its face value is classified as

A. present value bond
B. original issue discount bond
C. coupon issued bond
D. discounted bond

Risk of fall in income due to fall in interest rates in future is classified as

A. income risk
B. investment risk
C. reinvestment risk
D. mature risk

Redemption option which protects investors against rise in interest rate is considered as

A. redeemable at deferred
B. redeemable at par
C. redeemable at refund
D. redeemable at finding

Payment divided by par value is classified as

A. divisible payment
B. coupon payment
C. par payment
D. per period payment

An annual interest payment divided by current price of bond is considered as

A. current yield
B. maturity yield
C. return yield
D. earning yield

If coupon rate is more than going rate of interest then bond will be sold

A. more than its par value
B. seasoned par value
C. at par value
D. below its par value

Coupon rate of convertible bond is

A. higher
B. lower

C. variable
D. stable

Rate denoted as r* is best classified as

A. real risk-free interest rate
B. real-risk free nominal rate
C. real-risk free quoted rate
D. real-risk free nominal premium

An outstanding bonds are also classified as

A. standing bonds
B. outdated bonds
C. dated bonds
D. seasoned bonds

An inflation rate includes in bond's interest rates is one which is inflation rate

A. at bond issuance
B. expected in future
C. expected at time of maturity
D. expected at deferred call

Unsecured bonds which is designated for only notes payable or all other debts are classified as

A. designated bonds
B. payable bonds
C. ordinate bonds
D. subordinated bonds

A market interest rate for specific type of bond is classified as bond's

A. required rate of return
B. required option
C. required rate of redemption
D. required rate of earning

Bond which is issued in market and few days are passed of its issuance is classified as

A. instable bond
B. outstanding bond
C. standing bond
D. stable bond

Real risk-free rate is applicable when it is expected that there will be

A. high inflation
B. low inflation
C. no inflation
D. none of above

According to top rating agencies S&P double-B and other lower grade bonds are classified as

A. development bonds
B. junk bonds
C. compounded bonds
D. discounted bonds

Price of an outstanding bond increases when market rate

A. never changes
B. increases
C. decreases
D. earned

An average inflation rate which is expected over life of security is classified as

A. inflation premium
B. off season premium
C. nominal premium
D. required premium

Type of bond which pays interest payment only when it earns is classified as

A. income bond
B. interest bond
C. payment bond
D. earning bond

Type of bonds that pays no coupon payment but provides little appreciation are classified as

A. depreciated bond
B. interest bond
C. zero coupon bond
D. appreciation bond

In call provision, it is stated that company will pay to issue an amount

A. higher than par value
B. lower than par value
C. equal to par value
D. zero to par value

If coupon rate is less than going rate of interest then bond will be sold

A. seasoned par value
B. more than its par value
C. seasoned par value
D. at par value

Bonds issued by small companies tend to have

A. high liquidity premium
B. high inflation premium
C. high default premium
D. high yield premium

An interest yield = 7.9% and capital gains yield = 2.5% then total rate of return is

A. 10%
B. 3.16%
C. 0.31%
D. 5.40%

Stated value of bonds or face value is considered as

A. state value
B. par value
C. bond value
D. per value

Type of bond in which payments are made on basis of inflation index is classified as

A. borrowed bond
B. purchasing power bond
C. surplus bond
D. deficit bond

An bond whose price will rise above its face value is classified as

A. premium face value
B. premium bond
C. premium stock
D. premium warrants

Coupon rate of bond is also called

A. nominal rate
B. premium rate
C. quoted rate
D. both a and c

Real risk-free interest rate in addition with an inflation premium is equal to

A. required interest rate
B. quoted risk-free interest rate
C. liquidity risk-free interest rate
D. premium risk-free interest rate

An increasing in interest rate leads to decline in value of

A. junk bonds
B. outstanding bonds
C. standing bonds
D. premium bonds

Bonds issued by government and backed by Pak government are classified as

A. issued security
B. treasury bonds
C. U.S bonds
D. return security

Price of an outstanding bond decreases when market rate is

A. increased
B. decreased
C. earned
D. never changed

As free bonds issue for welfare by industrial agencies or pollution control agencies are classified as

A. agent bonds
B. development bonds
C. pollution control bonds
D. Both B and C

Value generally promises to pay at maturity date and a firm borrows is considered as bond's

A. bond value

B. per value
C. state value
D. par value

Maturity date decides at time of issuance of bond and legally permissible is classified as

A. original maturity
B. permanent maturity
C. artificial maturity
D. valued maturity

Bonds with deferred call have protection which is classified as

A. provision protection
B. provision protection
C. deferred protection
D. call protection

Bonds issued by local and state governments with default risk are

A. municipal bonds
B. corporation bonds
C. default bonds
D. zero bonds

Bonds having zero default risk are classified as

A. Pak bonds
B. return security
C. issued security
D. treasury bonds

Right held with corporations to call issued bonds for redemption is considered as

A. artificial provision
B. call provision
C. redeem provision
D. original provision

Bond that has been issued in very recent timing is classified as

A. mature issue
B. earning issue
C. new issue
D. recent issue

Type of options that permit bond holder to buy stocks at stated price are classified as

A. provision
B. guarantee
C. warrants
D. convertibles

When price of bond is calculated below its par value, it is classified as

A. classified bond
B. discount bond
C. compound bond
D. consideration earning

Required rate of return in calculating bond's cashflow is also classified as

A. going rate of return
B. yield
C. earning rate
D. Both A and B

An interest rate which is used in calculation of cash flows of bonds is called

A. required rate of redemption
B. required rate of earning
C. required rate of return
D. required option

According to top rating agencies S&P triple-A and double-A rating bonds are classified as an

A. extremely discounted
B. extremely safe
C. extremely risky
D. extremely inflated

Rate on debt that increases as soon market rises is classified as

A. rising bet rate
B. floating rate debt
C. market rate debt
D. stable debt rate

If market interest rate rises above coupon rate then bond will be sold

A. equal to return rate

B. seasoned price
C. below its par value
D. above its par value

Bonds that can be converted into shares of common stock are classified as

A. convertible bonds
B. stock bonds
C. shared bonds
D. common bonds

Type of bonds that are issued by foreign governments or foreign corporations are classified as

A. zero risk bonds
B. zero bonds
C. foreign bonds
D. government bonds

If default probability is zero and bond is not called then yield to maturity is

A. mature expected return rate
B. lower than expected return rate
C. higher than expected return rate
D. equal to expected return rate

Rate of return (in percentages) consists of

A. capital gain yield interest yield
B. return yield + stable yield
C. return yield + instable yield
D. par value + market value

Reinvestment risk of bond's is usually higher on

A. income bonds
B. callable bonds
C. premium bonds
D. default free bonds

If market interest rate falls below coupon rate then bond will be sold

A. below its par value
B. above its par value
C. equal to return rate
D. seasoned price

Yield of interest rate which is below than coupon rate, this yield is classified as

A. yield to maturity
B. <u>yield to call</u>
C. yield to earning
D. yield to investors

Market in which bonds are traded over-the-counter than in an organized exchange is classified as

A. organized markets
B. trade markets
C. counter markets
D. <u>bond markets</u>

Coupon payment is calculated with help of interest rate, then this rate considers as

A. payment interest
B. par interest
C. <u>coupon interest</u>
D. yearly interest rate

An effect of interest rate risk and investment risk on a bond's yield is classified as

A. reinvestment premium
B. investment risk premium
C. <u>maturity risk premium</u>
D. defaulter's premium

Coupon payment of bond which is fixed at time of issuance

A. <u>remains same</u>
B. becomes stable
C. becomes change
D. becomes low

Cash Flow Estimation and Risk Analysis

Required increasing in current assets and an increasing in current liabilities is subtracted to calculate

A. <u>change in net working capital</u>
B. change in current assets
C. change in current liabilities
D. change in depreciation

Cash flows that could be generated from an owned asset by company but not use in project are classified as

A. occurred cost
B. mean cost
C. opportunity costs
D. weighted cost

In capital budgeting, cost of capital is used as discount rate and is based on pre-determines

A. cost of inflation
B. cost of debt and equity
C. cost of opportunity
D. cost of transaction

Situation in which company replaces existing assets with new assets is classified as

A. replacement projects
B. new projects
C. existing projects
D. internal projects

Relevant cash flow which company expects when its will implement project is classified as

A. irrelevant cash flow
B. relevant cash flow
C. incremental cash flow
D. decrease cash flow

Free cash flow is $12000, an operating cash flow is $4000, an investment outlay cash flow is $5000 then salvage cash flow would be

A. −$21000
B. $21,000
C. −$3000
D. $3,000

Cash flows that should be considered for decision in hand are classified as

A. relevant cash flows
B. irrelevant cash flows
C. marginal cash flows
D. transaction cash flows

Nominal interest rates and nominal cash flows are usually reflected the

A. inflation effects
B. opportunity effects
C. equity effects
D. debt effects

In cash flow estimation and risk analysis, real rate will be equal to nominal rate if there is

A. no inflation
B. high inflation
C. no transactions
D. no acceleration

In cash flow estimation, depreciation shelters company's income from

A. expansion
B. salvages
C. taxation
D. discounts

Weighted average cost of debt, preferred stock and common equity is classified as

A. cost of salvage
B. cost of interest
C. cost of taxation
D. cost of capital

An investment outlay cash flow is $4000, operating cash flow is $1000 and salvage cash flow is $5000 then free cash flow would be

A. $10,000
B. $8,000
C. zero
D. none of above

Rate of return which is required to satisfy stockholders and debt holders is classified as

A. weighted average cost of interest
B. weighted average cost of capital
C. weighted average salvage value
D. mean cost of capital

Net investment in operating capital is $7000 and net operating profit after taxes is

$11,000 then free cash flow will be

A. −$18000
B. $18,000
C. −$4000
D. $4,000

Free cash flow is $17000 and net investment in operating capital is $10000 then net operating profit after taxes would be

A. $7,000
B. $27,000
C. −$27000
D. −$7000

In cash flow estimation, depreciation is considered as

A. cash charge
B. noncash charge
C. cash flow discounts
D. net salvage discount

Net operating profit after taxes is $4500, net investment in operating capital is $8500 and then free cash flow would be

A. −$4000
B. $4,000
C. −$18000
D. $18,000

Net investment in operating capital is subtracted from net operating profit after taxes to calculate

A. relevant inflows
B. free cash flow
C. relevant outflows
D. cash outlay

Project which is started by firm for increasing sales is classified as

A. new expansion project
B. old expanded project
C. firm borrowing project
D. product line selection

Real interest rate and real cash flows do not include

A. equity effects
B. debt effects
C. inflation effects
D. opportunity effects

Gross fixed asset expenditures is $6000 and free cash flow is $8000 then operating cash flows will be

A. −$14000
B. $2,000
C. $14,000
D. −$2000

Real rate expected cash flows and nominal rate expected cash flows must be

A. accelerated
B. equal
C. different
D. inflated

Double declining balance method and sum of years digits are included in

A. yearly method
B. single methods
C. double methods
D. accelerated methods

Free cash flow is $15000, operating cash flow is $3000, investment outlay cash flow is $5000 then salvage cash flow will be

A. $17,000
B. −$17000
C. $7,000
D. −$7000

An operating cash flows is $12000 and gross fixed asset expenditure is $5000 then free cash flow will be

A. −$7000
B. $7,000
C. $17,000
D. −$17000

Cost which has occurred already and not affected by decisions is classified as

A. sunk cost
B. occurred cost
C. weighted cost
D. mean cost

An analysis and estimation of cash flows include

A. input data and key output
B. depreciation schedule
C. net salvage values
D. all of above

Cost of Capital

During planning period, a marginal cost for raising a new debt is classified as

A. debt cost
B. relevant cost
C. borrowing cost
D. embedded cost

Cost of common stock is 14% and bond risk premium is 9% then bond yield will be

A. 1.56%
B. 5%
C. 23%

D. 64.28%

In weighted average cost of capital, a company can affect its capital cost through

A. policy of capital structure
B. policy of dividends
C. policy of investment
D. <u>all of above</u>

A risk associated with project and way considered by well diversified stockholder is classified as

A. expected risk
B. <u>beta risk</u>
C. industry risk
D. returning risk

Cost of common stock is 13% and bond risk premium is 5% then bond yield would be

A. $18
B. 2.60%
C. <u>8%</u>
D. 18%

Variability for expected returns for projects is classified as

A. expected risk
B. <u>stand-alone risk</u>
C. variable risk
D. returning risk

Cost of common stock is 16% and bond yield is 9% then bond risk premium would be

A. <u>7%</u>
B. $7
C. 1.78%
D. 25%

f future return on common stock is 14% and rate on T-bonds is 5% then current market risk premium will be

A. 19%
B. <u>9%</u>
C. $9
D. $19

Cost of capital is equal to required return rate on equity in case if investors are only

A. valuation manager
B. common stockholders
C. asset seller
D. equity dealer

Interest rate is 12% and tax savings (1-0.40) then after-tax component cost of debt will be

A. 7.20%
B. 7.2 times
C. 17.14 times
D. $17.14

Retention ratio is 0.60 and return on equity is 15.5% then growth retention model would be

A. 14.90%
B. 25.84%
C. 16.10%
D. 9.30%

Method uses for an estimation of cost of equity is classified as

A. market cash flow
B. future cash flow method
C. discounted cash flow method
D. present cash flow method

Bond risk premium is added in to bond yield to calculate

A. cost of American option
B. cost of European option
C. cost of common stock
D. cost of preferred stock

A type of beta which incorporates about company such as changes in capital structure is classified as

A. industry beta
B. market beta
C. subtracted beta
D. fundamental beta

Dividend per share is $18 and sells it for $122 and floatation cost is $4 then component cost of preferred stock will be

A. 15.25%
B. 0.1525 times
C. $15.25
D. 0.15%

In weighted average capital, capital structure weights estimation does not rely on value of

A. investors equity
B. market value of equity
C. book value of equity
D. stock equity

Interest rates, tax rates and market risk premium are factors which an/a

A. industry cannot control
B. industry cannot control
C. firm must control
D. firm cannot control

For each component of capital, a required rate of return is considered as

A. component cost
B. evaluating cost
C. asset cost
D. asset depreciation value

If payout ratio is 0.45 then retention ratio will be

A. 0.55
B. 1.45
C. 1.82
D. 0.45

Retention ratio is 0.55 and return on equity is 12.5% then growth retention model would be

A. 11.95%
B. 6.88%
C. 13.05%
D. 22.72%

Stock selling price is $65, expected dividend is $20 and cost of common stock is 42% then expected growth rate will be

A. 0.1123 times
B. 11.23%
C. 11.23 times
D. $11.23

In weighted average cost of capital, rising in interest rate leads to

A. increase in cost of debt
B. increase capital structure
C. decrease in cost of debt
D. decrease capital structure

Bond risk premium is 3% and bond yield is 10.2% then cost of common stock will be

A. 3.40%
B. 13.20%
C. 7.20%
D. 30.60%

Cost of new debt or marginal debt is also classified as

A. historical rate
B. embedded rate
C. marginal rate
D. Both A and B

Bond yield is 12% and bond risk premium is 4.5% then cost of common stock would be

A. 37.50%
B. 7.50%
C. 15.50%
D. 2.67 times

Forecast by analysts, retention growth model and historical growth rates are methods used for an

A. estimate future growth
B. estimate option future value
C. estimate option present value
D. estimate growth ratio

An interest rate which is paid by firm as soon as it issues debt is classified as pre-tax

A. term structure
B. market premium
C. risk premium

D. cost of debt

Beta which is estimated as regression slope coefficient is classified as

A. historical beta
B. market beta
C. coefficient beta
D. riskier beta

In weighted average cost of capital, capital components are funds that usually offer by

A. stock market
B. investors
C. capitalist
D. exchange index

Cost which is used to calculate weighted average cost of capital is classified as

A. weighted cost of capital
B. component cost of preferred stock
C. transaction cost of preferred stock
D. financing of preferred stock

Type of cost which is used to raise common equity by reinvesting internal earnings is classified as

A. cost of mortgage
B. cost of common equity
C. cost of stocks
D. cost of reserve assets

If future return on common stock is 19% and rate on T-bonds is 11% then current market risk premium will be

A. $30
B. 30%
C. 8%
D. $8

Historical growth rates, analysis forecasts and retention growth model are approaches to estimate

A. present value of gain
B. growth rate
C. growth gain

D. discounted gain

In retention growth model, payout ratio is subtracted from one to calculate

A. present value ratio
B. future value ratio
C. retention ratio
D. growth ratio

If retention rate is 0.68 then payout rate will be

A. 1.47%
B. 1.68
C. 0.32
D. 0.68

Cost of common stock is 15% and bond yield is 10.5% then bond risk premium will be

A. 1.43%
B. $70
C. 25.50%
D. 4.50%

Cost of equity which is raised by reinvesting earnings internally must be higher than the

A. cost of initial offering
B. cost of new common equity
C. cost of preferred equity
D. cost of floatation

Dividend per share is $15 and sell it for $120 and floatation cost is $3.0 then component cost of preferred stock will be

A. 12.82 times
B. 0.1282 times
C. 12.82%
D. $12.82

Capital budgeting decisions are analyzed with help of weighted average and for this purpose

A. component cost is used
B. common stock value is used
C. cost of capital is used

D. asset valuation is used

A formula of after-tax component cost of debt is

A. interest rate-tax savings
B. marginal tax-required return
C. interest rate + tax savings
D. borrowing cost + embedded cost

Risk free rate is subtracted from expected market return is considered as

A. country risk
B. diversifiable risk
C. equity risk premium
D. market risk premium

Type of variability in which a project contributes in return of company is considered as

A. variable risk
B. within firm risk
C. corporate risk
D. Both B and C

Rate of required return by debt holders is used for estimation the

A. cost of debt
B. cost of equity
C. cost of internal capital
D. cost of reserve assets

Financial Options and Applications in corporate Finance

According to Black Scholes model, stocks with call option pays the

A. dividends
B. no dividends
C. current price
D. past price

An exercise of option in future and part of option call value depends specifically on

A. PV of exercising cost
B. FV of exercising cost
C. PV of cost volatility
D. FV of cost volatility

Yield on Treasury bill with a maturity is classified as a risk free rate but must be equal to an

A. option closing price
B. option beginning price
C. option expiration
D. option model

Long-term equity anticipation security is usually classified as

A. short-term options
B. long-term options
C. short money options
D. yearly call

Current value of stock in portfolio with current option price \$20 is \$50, then present value of portfolio would be

A. \$30
B. \$70
C. 1.67%
D. 30%

Situation in financial options in which strike price is less than current price of stock is classified as

A. in-the-money
B. out-of-the-money
C. out-of-the-portfolio
D. in-the-portfolio

An option that gives investors right to sell a stock at predefined price is classified as

A. put option
B. call option
C. money back options
D. out of money options

Value of stock is \$250 and call option obligation is \$100 then current value of portfolio would be

A. 0.35 times

B. $150
C. $350
D. $2.50

An increase in value of option leads to low present value of exercise cost only if it has

A. low volatility
B. interest rates are high
C. interest rates are low
D. high volatility

According to Black Scholes model, short term seller receives today price which

A. short term cash proceeds
B. proceeds in cheques
C. full cash proceeds
D. zero proceeds

An investor who writes stock call options in his own portfolio is classified as

A. due option
B. covered option
C. undue option
D. uncovered option

Current value of stock included in portfolio is subtracted from current option price to calculate

A. future value of stock
B. present value of portfolio
C. future value of portfolio
D. present value of stock

In financial planning, most high option price will lead to

A. longer option period
B. smaller option period
C. lesser price
D. higher price

Current option is $700 and current value of stock in portfolio is $1400 then present value of portfolio will be

A. –$700
B. $2,100

C. $700
D. 2%

An investor who buys shares and writes a call option on stock is classified as

A. put investor
B. call investor
C. hedger
D. volatile hedge

If current price increases from lower to higher then an

A. option value equal to one
B. option value will increase
C. option value will decrease
D. option value equal to zero

In financial planning, formula MAX [current price of stock-strike price,0] is used to calculate

A. option return rate
B. exercise value
C. option value
D. stock value

Greater value of option, larger span of time value is usually results in

A. shorter call option
B. longer call option
C. longer put option
D. shorter put option

Current option price is added to present value of portfolio for calculating

A. future value of portfolio
B. current value of stock
C. future value of stock
D. present value of portfolio

According to Black Scholes model, selling and buying of stock have

A. discount rate
B. transaction costs
C. no transaction costs
D. no discounts

Movement of price or rise or fall of prices of options is classified as

A. option lattice
B. pricing movement
C. price change
D. binomial lattice

If stock market price is higher than strike price so call option

A. price will be lower
B. rate will be higher
C. price will be higher
D. rate will be lower

Financial Management and Environment

Corporations such as Citigroup, American Express and Fidelity are classified as

A. financial services corporations
B. common service corporations
C. preferred service corporations
D. commercial service corporations

Financial corporations which serve individual savers and commercial mortgage borrowers are classified as

A. savings associations
B. loans associations
C. preferred and common associations
D. savings and loans associations

A regulatory body which licenses brokers and oversees traders is classified as

A. international firm of auction system
B. international association of network dealers
C. national firm of equity dealers
D. national association of securities dealers

Companies take savings as premium, invest in bonds and make payments to beneficiaries are classified as

A. debit unions
B. life insurance companies
C. credit unions
D. auto purchases

Federal government tax revenues if it exceeds government spending then it is classified as

A. budget surplus
B. budget deficit
C. federal reserve
D. federal budget

Mutual fund allows investors to sale out their share during any normal trading hours is classified as

A. exchange traded fund
B. management expense
C. money trade fund
D. capital trade fund

Step in initial public offering in which hired agents act on behalf of owners is classified as

A. hiring problems
B. agency problems
C. corporation internal problems
D. corporation external problems

Financial security which is tax exempted and issues by state governments to individuals is classified as

A. U.S treasury bonds
B. mortgages
C. <u>municipal bonds</u>
D. corporate bonds

All partners have limited liability in

A. unlimited liability partnership
B. <u>limited liability partnership</u>
C. controlled partnership
D. uncontrolled partnership

Markets dealing with residential loans, industry real estate loans, agricultural loans and commercial loans are called

A. residential markets
B. <u>mortgage markets</u>
C. agriculture markets
D. commercial markets

Type of financial security in which loans are secured by borrowers property is classified as

A. municipal bonds
B. corporate bonds
C. U.S treasury bonds
D. <u>mortgages</u>

In financial markets, period of maturity more than five years of financial instruments is classified as

A. intermediate term
B. capital term
C. short-term
D. <u>long-term</u>

Type of financial securities that mature in less than a year are classified as

A. saving intermediaries
B. discounted intermediaries
C. money market securities
D. <u>capital market securities</u>

Trading procedures dimensions include

A. location dimension
B. method of matching orders
C. price dimension
D. Both A and B

Trading place where traders meet one another to communicate is classified as

A. outcry auction system
B. outcry system
C. face to face communication
D. money communication

Rate of return which is asked by investors is classified as

A. average cost of capital
B. mean cost of capital
C. weighted cost of capital
D. weighted average cost of capital

Type of financial securities that matures in less than a year are classified as

A. money market securities
B. capital market securities
C. saving intermediaries
D. discounted intermediaries

Corporations that buy financial instruments with money accepted from savers are classified as

A. debit funds
B. credit funds
C. mutual funds
D. insurance funds

Corporate associations who have common bonds being employees of same firm are classified as

A. credit unions
B. debit unions
C. preferred unions
D. solving unions

Set of rules made by corporation founders such as directors election procedure are classified as

A. stock laws
B. by laws
C. liability laws
D. corporate laws

Markets which bring closer institutions needing funds and with surplus funds are classified as

A. financial markets
B. corporate institutions
C. hedge firms
D. retirement planners

Process of selling company stock at large to general public and get lending from banks is classified as an

A. initial public offering
B. external public offering
C. internal public offering
D. unprofessional offering

Partners who are only liable for their own part of investment are considered as

A. venture partners
B. corporate partners
C. limited partners
D. general partners

Sales revenue $90,000, operating taxes $30,000 and operating capital $15,000 then value of free cash flows (in USD) will be

A. 45000
B. 13500
C. 65000
D. 75000

Legal entity separation from its legal owners and managers with help of state laws is classified as

A. controlled corporate business
B. corporation
C. limited corporate business
D. unlimited corporate business

Cost of money is affected by factors which includes

A. production opportunities
B. risk
C. all of above
D. inflation

Notes, mortgages, bonds, stocks, treasury bills and consumer loans are classified as

A. financial instruments
B. capital assets
C. primary assets
D. competitive instruments

Set of rules consisting of behavior towards its directors, creditors, shareholders, competitors and community is considered as

A. agency governance
B. hiring governance
C. corporate governance
D. external governance

Price for debt is called

A. debt rate
B. investment return
C. discount rate
D. interest rate

In financial markets, period of maturity less than one year of financial instruments is classified as

A. <u>short-term</u>
B. long-term
C. intermediate term

Condition in which company's imports are more than its exports is classified as

A. foreign trade
B. <u>foreign trade deficits</u>
C. foreign trade surplus
D. trade surplus

A markets which deals with long-term corporate stocks are classified as

A. liquid markets
B. short-term markets
C. capital markets
D. money markets

Corporate governance charter of rules of behaving is applicable on

A. competitors
B. shareholders
C. directors
D. all of above

Bonds issued to individuals by corporations are classified as

A. municipal bonds
B. corporate bonds
C. U.S treasury bonds
D. mortgages

Financial security issues by major banks and risk depends on strength of issuer is classified as

A. negotiable certificate of deposit
B. mutual funds
C. U.S treasury bills
D. commercial paper

An unlimited liability is classified as liabilities of the

A. limited partners
B. general partners
C. venture partners
D. corporate partners

Financial security kept by non-financial corporations is

A. deposit cheque
B. distribution cost
C. short term treasury bills
D. short term capital cost

A retirement plans funded for workers by corporations, administered and commercial banks are classified as

A. retirement funds
B. pension funds
C. future funds
D. workers funds

Markets dealing loans of autos, education, vacations and appliances are considered as

A. consumer credit loans
B. commercial markets
C. residential markets
D. mortgage markets

Financial security issued by banks operating outside U.S is classified as

A. dollar bonds
B. euro deposits
C. Eurodollar market deposits
D. euro bonds

Markets which deal with buying and selling of bonds, mortgages, notes and stocks are considered as

A. financial instruments
B. financial asset markets
C. physical asset markets
D. easy markets

Capital gain expected by stockholders and dividends are included in

A. debt rate
B. investment return
C. interest rate
D. cost of equity

Markets where assets are bought or sold within a few days or at some future dates are classified as

A. spot markets
B. future markets
C. Both A and B
D. financial instruments

Relevant information about stock market price if it is given, then this price is called

A. market price
B. intrinsic price
C. extrinsic price
D. unstable price

Formula Sales revenue minus operating cost and taxes minus operating capital investments is used to calculate

A. available income
B. cash income
C. <u>free cash flows</u>
D. free distribution

An attitude of investor towards dealing with risk determines the

A. <u>rate of return</u>
B. rate of exchange
C. rate of intrinsic stock
D. rate of extrinsic stock

Government spending, if it exceeds federal government tax revenues then it is classified as

A. federal reserve
B. federal budget
C. budget surplus
D. <u>budget deficit</u>

Financial security with low degree risk and investment held by businesses is classified as

A. treasury bills
B. commercial paper
C. negotiable certificate of deposit
D. <u>money market mutual funds</u>

Type of financial security in which firms do not borrow money rather lease their assets is classified as

A. <u>leases</u>
B. preferred stocks
C. common stocks
D. corporate stocks

Hewlett-Packard and Microsoft are examples of

A. limited corporate business
B. unlimited corporate business
C. controlled corporate business
D. <u>corporation</u>

Document in a corporation which consists of amount of stock, name and addresses of directors is classified as

A. liability plan
B. stock planning
C. corporation paperwork
D. <u>charter</u>

A price for equity is called

A. interest rate
B. <u>cost of equity</u>
C. debt rate
D. investment return

Members and employees of credit unions are loaned for

A. mortgages
B. home improvement loans
C. auto purchases
D. all of above

Ability to trade at net price very quickly is classified as

A. original trading
B. liquidity
C. offline trading
D. fixed price trading

Bonds which are more riskier than corporate bonds and are issued by major corporations are classified as

A. common stocks
B. corporate stocks
C. leases
D. preferred stocks

In financial markets, period of maturity within one to five years of financial instruments is classified as

A. short-term
B. long-term
C. intermediate term
D. capital term

Collection of money from investors and spending money in other investment activities is classified as

A. future funds
B. hedge funds
C. retirement funds
D. pension funds

Markets for products such as whet, rice, cotton, real estate and autos dealing is classified as

A. physical asset markets
B. intangible assets
C. competitive markets
D. easy markets

Price of stock that companies observe in financial markets is called

A. market price
B. intrinsic price
C. extrinsic price
D. fundamental price

Professionals such as doctors, accountants and lawyers often make corporations are classified as

A. general professionals
B. professional corporation
C. professional association
D. Both B and C

Markets which deals with high liquid and short term debt securities are classified as

A. capital markets
B. money markets
C. liquid markets
D. short-term markets

Firm's promise to pay and is backed or guaranteed by bank is classified as

A. customer's acceptance
B. banker's acceptance
C. federal acceptance
D. treasury acceptance

Financial markets include

A. primary markets
B. capital markets
C. physical asset markets
D. all of above

Funds which are used as interest-bearing checking accounts are classified as

A. money market funds
B. capital market funds
C. money mutual funds
D. insurance money funds

Method of matching orders by posting orders of buying and selling is classified as

A. electronic communication network
B. electronic dealer network
C. electronic stock network
D. electronic order network

Loans by finance companies, banks and credit unions is classified as

A. consumer credit loans
B. dollar bonds
C. Eurodollar market deposits
D. euro bonds

Bonds issue by corporations which are more riskier than preferred stocks are classified as

A. leases
B. preferred stocks
C. common stocks
D. corporate stocks

Federal Reserve policy and federal surplus or deficit of budget affect the

A. cost of production
B. cost of money
C. opportunity cost
D. inflation risk

Market where market makers keep record of stock of financial instruments is classified as

A. stock market
B. dealer market
C. outcry auction system
D. face to face communication

Transfer through institutions such as mutual funds or banks are classified as

A. non-financial intermediary
B. financial intermediary
C. savers intermediary
D. discounted intermediary

Money lends to corporations by banks is classified as

A. Eurodollar market deposits
B. commercial loans
C. consumer credit loans
D. consumer credit loans

Portfolio Theory and Asset Pricing Models

Beta reflects stock risk for investors which is usually

A. individual
B. collective
C. weighted
D. linear

An unsystematic risk which can be eliminated but market risk is the

A. aggregate risk
B. remaining risk
C. effective risk
D. ineffective risk

If book value is greater than market value comparison with investors for future stock are considered as

A. pessimistic
B. optimistic
C. experienced
D. inexperienced

Difference between actual return on stock and predicted return is considered as

A. probability error
B. actual error
C. prediction error
D. random error

Stocks which has lower book for market ratio are considered as

A. optimistic
B. more risky
C. less risky
D. pessimistic

Future beta is needed to calculate in most situations is classified as

A. historical betas
B. adjusted betas
C. standard betas
D. varied betas

An efficient set of portfolios represented through graph is classified as an

A. attained frontier
B. efficient frontier
C. inefficient frontier
D. unattained frontier

A high portfolio return is subtracted from low portfolio return to calculate

A. HML portfolio
B. R portfolio
C. subtracted portfolio

If market value is greater than book value then investors for future stock are considered as

A. experienced
B. inexperienced
C. pessimistic
D. optimistic

According to capital asset pricing model assumptions, investors will borrow unlimited amount of capital at any given

A. identical and fixed returns
B. risk free rate of interest
C. fixed rate of interest
D. risk free expected return

In capital market line, risk of efficient portfolio is measured by its

A. standard deviation
B. variance
C. aggregate risk
D. ineffective risk

According to capital asset pricing model assumptions, quantities of all assets are

A. given and fixed
B. not given and fixed
C. not given and variable
D. given and variable

Stocks which has high book for market ratio are considered as

A. more risky
B. less risky
C. pessimistic
D. optimistic

According to capital asset pricing model assumptions, variances, expected returns and covariance of all assets are

A. identical
B. not identical
C. fixed
D. variable

Sum of market risk and diversifiable risk are classified as total risk which is equivalent to

A. Sharpe's alpha
B. standard alpha's
C. alpha's variance
D. variance

Betas tend to move towards 1.0 with passage of time are classified as

A. standard betas
B. varied betas
C. historical betas
D. adjusted betas

Stock issued by company have higher rate of return because of

A. low market to book ratio
B. high book to market ratio
C. high market to book ratio
D. low book to market ratio

Type of relationship exists between an expected return and risk of portfolio is classified as

A. non-linear
B. linear
C. fixed and aggregate
D. non-fixed and non-aggregate

A theory which states that assets are traded at price equal to its intrinsic value is classified as

A. efficient money hypothesis
B. efficient market hypothesis
C. inefficient market hypothesis
D. inefficient money hypothesis

In capital asset pricing model, characteristic line is classified as

A. regression line
B. probability line
C. scattered points
D. weighted line

All assets are perfectly divisible and liquid in

A. tax free pricing model
B. cost free pricing model
C. capital asset pricing model
D. stock pricing model

Stock issued by company have lower rate of return because of

A. high market to book ratio
B. low book to market ratio
C. low market to book ratio
D. high book to market ratio

Positive minimum risk portfolio of any security shows that market security sold

A. equal to original price
B. equal to sum of stocks
C. less than original price
D. greater than original price

In capital asset pricing model, assumptions must be followed including

A. no taxes
B. no transaction costs
C. fixed quantities of assets
D. <u>all of above</u>

Risk, Return, and Capital Asset Pricing Model

Two alternative expected returns are compared with help of

A. coefficient of variation
B. coefficient of deviation
C. coefficient of standard
D. coefficient of return

An analysis of decision making of investors and managers is classified as

A. riskier finance
B. behavioral finance
C. premium finance
D. buying finance

Yield on bond is 7% and market required return is 14% then market risk premium would be

A. 2%
B. 21%
C. 0.50%
D. 7%

An expected rate of return is denoted by

A. e-bar
B. r-bar
C. r-hat
D. e-hat

An inflation free rate of return and inflation premium is two components of

A. quoted rate
B. unquoted rate
C. steeper rate
D. portfolio rate

Risk affects any firm with factors such as war, recessions, inflation and high interest rates is classified as

A. diversifiable risk
B. market risk
C. stock risk
D. portfolio risk

Past realized rate of return in period t is denoted by

A. t bar r
B. t hat r
C. r hat t
D. r bar t

An amount invested is $1500 and an amount received is $2000 then dollar return would be

A. $500
B. −$500
C. $3,500
D. −$3500

External factors such as expiration of basic patents and industry competition effect

A. patents premium
B. competition premium
C. company's beta
D. expiry premium

Type of risk in which beta is equal to one is classified as

A. multiple risk stock
B. varied risk stock
C. total risk stock
D. average risk stock

A portfolio consists of all stocks in a market is classified as

A. market portfolio
B. return portfolio
C. correlated portfolio
D. diversified portfolio

Beta coefficient is used to measure market risk which is an index of

A. coefficient risk volatility
B. market risk volatility
C. stock market volatility
D. portfolio market portfolio

Standard deviation of tighter probability distribution is

A. long-termed
B. short-termed
C. riskier
D. smaller

Risk which is caused by events such as strikes, unsuccessful marketing programs and other lawsuits is classified as

A. stock risk
B. portfolio risk
C. diversifiable risk
D. market risk

Required return is 11% and premium for risk is 8% then risk free return will be

A. 3%
B. 19%
C. 0.72%
D. 1.38%

Range of probability distribution with 99.74% lies within

A. (+ 3σ and -3σ)
B. (+ 4σ and -4σ)
C. (+ 1σ and -1σ)
D. (+ 2σ and -2σ)

In capital asset pricing model, stock with high standard deviation tend to have

A. low variation
B. low beta
C. high beta
D. high variation

Standard deviation is 18% and expected return is 15.5% then coefficient of variation would be

A. 0.86%
B. 1.16%
C. 2.50%
D. −2.5%

Standard deviation is divided by expected rate of return is used to calculate

A. coefficient of variation
B. coefficient of deviation
C. coefficient of standard
D. coefficient of return

Chance of happening any unfavorable event in near future is classified as

A. chance
B. event happening
C. probability
D. risk

A tighter probability distribution shows the

A. higher risk
B. lower risk
C. expected risk
D. peaked risk

Stock which has higher correlation with market tend to have

A. high beta, less risky

B. low beta, more risky
C. high beta, more risky
D. low beta, less risky

Coefficient of variation is used to identify an effect of

A. risk
B. return
C. deviation
D. Both A and B

Coefficient of beta is used to measure stock volatility

A. coefficient of market
B. relative to market
C. irrelative to market
D. same with market

Probability distribution is classified as normal if expected return lies between

A. (+ 1 and -1)
B. (+ 2 and -2)
C. (+ 3 and -3)
D. (+ 4 and -4)

Tendency of measuring correlation of two variables is classified as

A. tendency coefficient
B. variable coefficient
C. correlation coefficient
D. double coefficient

Relationship between risk and required return is classified as

A. security market line
B. required return line
C. market risk line
D. riskier return line

Tendency of moving together of two variables is classified as

E. correlation
F. move tendency
G. variables tendency
H. double tendency

Term structure premium, an inflation of bond and bond default premium are included in

A. risk factors
B. premium factors
C. bond buying factors
D. multi model

Mostly in financials, risk of portfolio is smaller than that of asset's

A. mean

B. weighted average
C. mean correlation
D. negative correlation

Chance of occurrence of any event is classified as

A. probability
B. risk
C. chance
D. event happening

According to market risk premium, an amount of risk premium depends upon investor

A. risk taking
B. risk aversion
C. market aversion
D. portfolio aversion

In an individual stock, relevant risk is classified as

A. alpha coefficient
B. beta coefficient
C. stand-alone coefficient
D. relevant coefficient

Portfolio which consists of perfectly positive correlated assets having no effect of

A. negativity
B. positivity
C. correlation
D. diversification

Weighted average of probabilities is classified as

A. average rate of return
B. expected rate of return
C. past rate of return
D. weighted rate of return

Correct measure of risk of stock is called

A. alpha
B. beta
C. variance
D. market relevance

Standard deviation is 18% and coefficient of variation is 1.5% an expected rate of return will be

A. 27%
B. 12%
C. 19.50%
D. none of above

Stocks in market portfolio are graphically represented with

A. dashed line
B. straight line
C. market line
D. risk line

Time Value of Money

An annual estimated cost of assets uses up every year is included

A. depreciation and amortization
B. net sales
C. net profit
D. net income

Proceeds of company shares of sold stock is recorded in

A. preferred stock account
B. common stock account
C. due stock account
D. preceded stock account

Statement of cash flows is included

A. operating activities
B. investing activities
C. financing activities
D. all of above

In calculation of net cash flow, depreciation and amortization are treated as

A. current liabilities
B. income expenses
C. non-cash revenues
D. non-cash charges

Payments if it is made at end of each period such as an end of year is classified as

A. ordinary annuity
B. deferred annuity
C. annuity due
D. Both A and B

In time value of money, nominal rate is

A. not shown on timeline
B. shown on timeline
C. multiplied on timeline
D. divided on timeline

Stockholders that do not get benefits even if company's earnings grow are classified as

A. preferred stockholders
B. common stockholders
C. hybrid stockholders
D. debt holders

In balance sheet, sum of retained earnings and common stock are considered as

A. preferred equity
B. due equity
C. common perpetuity
D. common equity

Securities with less predictable prices and have longer maturity time is considered as

A. cash equivalents
B. long-term investments
C. inventories
D. short-term investments

Number of shares outstanding if it is divided by net income for using to calculate

A. earning per share
B. dividends per share
C. book value of share
D. market value of shares

Purchase cost of assets over its useful life is classified as

A. appreciation
B. depreciation
C. appreciated assets
D. appreciated liabilities

Process of calculating future value of money from present value is classified as

A. compounding
B. discounting
C. money value
D. stock value

Type of basic financial statements consist of

A. balance sheet and income statement
B. statement of retained earning
C. statement of cash flows
D. all of above

An income available for shareholders after deducting expenses and taxes from revenues is classified as

A. net income

B. net earnings
C. net expenses
D. net revenues

Security present value is $100 and future value is $150 after 10 years and value of 'I = interest rate' will be

A. 4.14%
B. 0.59%
C. 0.69%
D. 0.79%

Noncash revenues and noncash charges if it subtracted from net income is equal to

A. free cash flow
B. retained cash flow
C. net cash flow
D. financing cash flow

An information uses by investors for expecting future earnings is all recorded in

A. five years report
B. annual report
C. stock report
D. exchange report

In calculation of net cash flow, deferred tax payments are classified as

A. non-cash revenues
B. non-cash charges
C. current liabilities
D. income expense

Land, buildings, and factory fixed equipment are classified as

A. tangible asset
B. non-tangible assets
C. financial asset
D. financial liability

Rate of return that an investment provides its investor is classified as

A. investment return rate
B. internal rate of return
C. international rate of return
D. intrinsic rate of return

Method of inventory recording gives lower cost of goods sold in income statement is classified as

A. last in first out
B. last out receivable
C. first out receivable
D. first in first out

Type of interest rates consist of

A. nominal rates
B. periodic rates
C. effective annual rates
D. all of above

Future value of interest if it is calculated once a year is classified as

A. one time compounding
B. annual compounding
C. semiannual compounding
D. monthly compounding

An interest rate which is paid by money borrower and charged by lender is considered as

A. annual rate
B. periodic rate
C. perpetuity rate of return
D. annuity rate of return

In calculation of time value of money, 'PMT' represents

A. present money tracking
B. payment
C. payment money tracking
D. future money payment

Intangible assets such as copyrights, trademarks and patents are applicable for

A. depreciation
B. amortization
C. stock amortization
D. perishable assets

Net income is $2250 and noncash charges are $1150 then net cash flow would be

A. $1,100
B. $3,400
C. $2,200
D. $3,500

Lottery payoffs and payment for rental apartments are examples of

A. lump sum amount

B. deferred annuity
C. annuity due
D. payment fixed series

Accounts payable, accruals and notes payables are listed on balance sheet as

A. accrued liabilities
B. current liabilities
C. accumulated liabilities
D. non-current liabilities

A loan that is repaid on monthly, quarterly and annual basis in equal payments is classified as

A. amortized loan
B. depreciated loan
C. appreciated loan
D. repaid payments

An interest rate is 5%, number of period are 3, and present value is $100, then future value (in dollars) will be

A. 115.76
B. 105
C. 110.25
D. 113.56

In situation of bankruptcy, stock which is recorded above common stock and below debt account is

A. debt liabilities
B. preferred stock
C. hybrid stock
D. common liabilities

Nominal rate which is quoted to consumers on loans is considered as

A. annual percentage rate
B. annual rate of return
C. loan rate of return
D. local rate of return

Values recorded as determined in marketplace are considered as

A. market values
B. book values
C. appreciated values
D. depreciated values

Financial securities that can be converted into cash at closing to their book value price are classified as

A. inventories
B. short-term investments
C. cash equivalents
D. long-term investments

Discounted cash flow analysis is also classified as

A. time value of stock
B. time value of money
C. time value of bonds
D. time value of treasury bonds

Prices of bonds will be decreased if an interest rates

A. rises
B. declines
C. equals
D. none of above

Wages and salaries of employees which company owns in this accounts are called

A. accrued expenses
B. accruals accounts
C. Both A and B
D. zero liabilities

If payment of security is paid as $100 at end of year for three years, it is an example of

A. fixed payment investment
B. lump sum amount
C. fixed interval investment
D. annuity

Payment of security if it is made at end of each period such as beginning of year is classified as

A. annuity due
B. payment fixed series
C. ordinary annuity
D. deferred annuity

Net worth is also called

A. asset net of liabilities
B. liabilities net of assets
C. earnings net on assets
D. liabilities net of earnings

Collection of net income, amortization and depreciation is divided by common shares outstanding to calculate

A. cash flow of financing activities
B. cash flow per share
C. cash flow of investment
D. cash flow of operations

In a statement of cash flows, a company investing in short-term financial investments and in fixed assets results in

A. increased cash
B. decreased cash
C. increased liabilities
D. increased equity

In time value of money, periodic rate is

A. not shown on timeline
B. shown on timeline
C. multiplied on timeline
D. divided on timeline

Claim against assets are represented by

A. saved earning
B. retained earnings
C. maintained earnings
D. saving account earning

Future value of interest if it is calculated two times a year can be a classified as

A. semiannual discounting
B. annual discounting
C. annual compounding
D. semiannual compounding

Payment if it is divided with interest rate will be formula of

A. future value of perpetuity
B. present value of perpetuity
C. due perpetuity
D. deferred perpetuity

Total amount of depreciation charged on long term assets is classified as

A. accumulated depreciation
B. depleted depreciation
C. accumulated appreciation
D. accumulated appreciation schedule

rate which is divided by compounding periods to calculate periodic rate must be

A. annuity return

B. deferred annuity return
C. nominal rate
D. semiannual discount rate

In calculation of time, value of money, ''N ''represents

A. number of payment periods
B. number of investment
C. number of installments
D. number of premium received

An annuity with an extended life is classified as

A. extended life
B. perpetuity
C. deferred perpetuity
D. due perpetuity

A stock which is hybrid and works as a cross between debt and common stock is considered as

A. hybrid stock
B. common liabilities
C. debt liabilities
D. preferred stock

Procedure of finding present values in time value of money is classified as

A. compounding
B. discounting
C. money value
D. stock value

In uneven cash flow, 'IRR' is an abbreviation of an

A. internal rate of return
B. international rate of return
C. intrinsic rate of return
D. investment return rate

A company who issues bonds or stocks in result raised funds which finally

A. increases liabilities
B. increases equity
C. increases cash
D. decreases cash