



FINAL EXAM

Course # 171008 Financial Concepts and Toc for Managers

based on the electronic .pdf file(s):

Financial Concepts and Tools for Managers

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pages



9 CPE Credit Hours
Accounting & Auditing

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*This exam sheet is made available for your convenience in answering questions while of.
Please note that you will still need to enter your answers on the online exam sheet for g
Instructions are provided at the end of this document.*

Chapter 1 - Financial Institutions And Markets

1. Tax planning for a company can not include:

- Depreciation
- Contributions
- Entertainment
- Personal business

2. Financial managers influence all except:

- Present and future earnings per share
- Pricing
- Timing, duration, and risk of earnings
- Dividend policy

3. The controller is not concerned with internal matters that include:

- Financial and cost accounting
- Market strategies
- Taxes
- Budgeting

4. Which one of the following is not a depreciation method?

- Straight-line
- Double-declining
- Accelerated cost recovery
- Sum-of-the-year's digit

5. _____ is not one of tax deductions:

- Pension expense
- Capital gains or losses
- Actual bad debts
- Interest

Chapter 2 - Solvency And Debt Service Ratios

6. _____ is not a balance sheets item:

- Assets
- Liabilities
- Stockholderâ€™s equity
- Revenue

7. Stockholderâ€™s equity section does not show:

- Capital stock
- Portfolio diversification
- Retained earnings
- Treasury stock

8. Cash outflows fro investing activities include:

- Repurchasing of stock
- Payments to buy fixed assets
- Payment of dividends
- Cash paid for inventory or on accounts payable

9. Some questions answered by the statement of cash flows include all except:

- Where did the earnings go
- How was prime rate secured
- How was debt retired
- What became of the proceeds of a bond

10. _____ is not a liquidity ratio:

- Quick ratio
- Net working capital
- Cash coverage ratio
- Current ratio

11. Net working capital is the difference between:

- Current assets and current liabilities
- Fixed assets and fixed liabilities
- Total assets and total liabilities
- Shareholdersâ€™ investment and cash

12. Free cash flow (FCF) is cash flow from operations minus cash used to purchase fixed assets minus _____.

- Stock dividends

Share repurchase

Cash dividends

Debt payment

13. The following information pertains to Como Co. for the year ended December 31, 20x7: Sales \$600,000 Operating income 100,000 Operating assets 400,000 Which of the following equations should be used to compute Como's return on investment?

$(4/6) \times (6/1) = \text{ROI}$

$(4/6) \times (1/6) = \text{ROI}$

$(6/4) \times (1/6) = \text{ROI}$

$(6/4) \times (6/1) = \text{ROI}$

14. Market value added (MVA) is _____ minus equity capital supplied by shareholders.

Economic value added

Price-earnings ratio (multiple)

Market value

Book value per share

Chapter 3 - Cash Budgeting

15. Steps in the budgeting process include all except:

Prepare a sales forecast

Determine expected production volume

Estimate manufacturing costs and operating expenses

Ignore external data

16. Which one of the following is not a type of budget?

Short-fall budgets

Sales budget

Direct labor budget

Factory overhead budget

17. Basic steps in projecting external financial needs do not include:

Project the firm's sales

Project competition's market share

Estimate level of investment

Calculate the firm's financial needs.

Chapter 4 - Market Index Models

18. The most direct way to prepare a cash budget is to include:

- Projected sales, credit terms, and net income
- Sales projections and credit terms, collection percentages, estimated purchases and payment terms, and other cash receipts and disbursements
- Projected purchases, percentages of purchases paid, and net income
- Projected sales and percentages of collections

19. A popular cash management model is:

- Baumol model
- Miller-Miller model
- Analog model
- Discount model

Chapter 5 - Capital Budgeting

20. The relative risk is measured by _____:

- Risk premium.
- Coefficient of variation.
- Standard deviation.
- Beta coefficient.

21. A measure that describes the risk of an investment project relative to other investments in general is the:

- Coefficient of variation
- Standard deviation
- Beta coefficient
- Expected return

22. Bond prices and interest rates are:

- Inversely related
- Directly related
- Unrelated
- Forces in bond valuation

23. the term structure of interest rates is also known as:

- Learning curve
- Risk-return tradeoff curve

Market curve

Yield curve

Chapter 6 - Theory Of Capital Structure

24. When making an investment one should consider:

The time value of money

The current value of money

The future value of money

The intrinsic value of money

25. Capital budgeting techniques do not include:

Internal rate of return

Net present value

Adjusted rate of return

Payback period

26. The payback period is:

Time required to recoup the initial investment

Time to recover average capital investment

Time to develop market strategies

Time to make initial investment payments

27. Profitability index (PI) is used to:

Rank investments

Rank assets

Rank competition

Rank risks

28. Which of the following is not an example of mutually exclusive proposal:

Selecting one geographic location over another

Projects involved in capital rationing situations

Deciding which machine to buy

Deciding whether to produce product x or y

29. Steps to take when considering a purchase (rather than a lease) do not include:

Find the annual loan amortization

Calculate interest

- Calculate the loss ratio
- Find the cash outflows

Chapter 7 - Financing Strategy

30. Which of the following is directly applied in determining the value of a stock when using the dividend growth model?
- The firm's capital structure
 - The firm's cash flows
 - The firm's liquidity
 - The investor's required rate of return on the firm's stock
31. When calculating the cost of capital, the cost assigned to retained earnings should be
- Zero
 - Lower than the cost of external common equity
 - Equal to the cost of external common equity
 - Higher than the cost of external common equity

Chapter 8 - Public Versus Private Placement Of Securities

32. In dividend policy the dividends should fulfill the objectives of:
- The company
 - The stockholders and company
 - The employees
 - The investors

Chapter 9 - Mergers And Acquisitions

33. Using a 360-day year, what is the opportunity cost to a buyer of not accepting terms 3/15, net 60?
- 0.247
 - 0.3181
 - 0.2227
 - 1.0173
34. Commercial paper:

- Has a maturity date greater than 1 year
- Is usually sold only through investment banking dealers
- Ordinarily does not have an active secondary market
- Has an interest rate lower than Treasury bills

Chapter 10 - Bankruptcy And Reorganization

35. Intermediate-term bank loans have a maturity of:

- One month
- Over one year
- Under two months
- Over five years

Chapter 11 - Long Term Debt

36. From the viewpoint of the investor, which of the following securities provides the least risk?

- Mortgage bond
- Subordinated debenture
- Income bond
- Debentures

37. Zero-coupon bonds

- Sell for a small fraction of their face value because their yield is much lower than the market rate.
- Increase in value each year as they approach maturity, providing the owner with the total payoff at maturity.
- Are redeemable in measures of a commodity such as barrels of oil, tons of coal, or ounces of rare metal (e.g., silver).
- Are high-interest-rate, high-risk, unsecured bonds that have been used extensively to finance leveraged buyouts.

Chapter 12 - Stock, Convertibles, and Warrants

38. "Short selling" is the

- Buying securities on credit.
- Selling of all your shares in anticipation that the price will decline.
- A security that is not owned by the seller.

Betting that a stock will increase by a certain amount.

Chapter 13 - Mergers and acquisitions

39. The merger of United and Delta would be categorized as a

- Horizontal merger
- Conglomerate merger
- White knight
- Vertical merger

40. A candy manufacturing company merging with a sugar processing company would be an example of a

- Horizontal merger.
- Vertical merger.
- Diagonal merger.
- Conglomerate merger.

41. The merger of General Motors and Ford would be categorized as a

- Diversifying merger.
- Conglomerate merger.
- Horizontal merger.
- Vertical merger.

42. What benefit(s) might a merger bring?

- Growth.
- Reduction of risk.
- Growth and reduction of risk.
- Anti-trust action.

43. The advantage of a tender offer in a corporate takeover is that

- Target shareholders have less time to evaluate the offer.
- Stockholders are induced to sell when the tender price significantly exceeds the current market price of the target common stock.
- The failing company doctrine might otherwise prohibit the combination.
- It is exempt from the Clayton Act.

Chapter 14 - Options and Option pricing, Derivatives and Risk Management

44. A foreign exchange rate is:

- The ratio of one country's cost-of-living index to that of another country
- The price of one country's currency in units of another country's currency
- The ratio of one country's imports to its exports
- The difference obtained by subtracting a country's exports from its imports

45. An investor has calculated Altman's Z-Score for each of four possible investment alternatives. Each firm is a public industrial firm. The calculated scores for the four investments were as follows: Firm W = 3.89 Firm X = 2.48 Firm Y = 2.00 Firm Z = 1.10 Which statement is true?

- Z is least risky and W is most risky.
- W is least risky and Z is most risky.
- Y is least risky and W is most risky.
- X is least risky and W is most risky.

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- *Sign In at www.ApexCPE.com*
- *Click the "My CPE" tab at the top of the page.*
- *Click "My CPE Courses".*
- *Find the current CPE year and click "Go to My Courses".*
- *Find this course and click the "Go to Course" link.*
- *Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.*
- *Enter your answers on the online exam sheet.*
- *Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.*
- *A short evaluation page will display. Please provide your feedback for the course.*
- *Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.*
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