

گروه الف

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دانشگاه آزاد اسلامی - واحد کاشان

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بهمراه داشتن ماشین حساب مجاز است

شماره دانشجویی:

Choose the correct answer (one third score per each correct answer)

- 1. With regard to net present value (NPV) profiles, the point at which a profile crosses the horizontal axis is *best* described as:**
 - A. The point at which two projects have the same NPV.
 - B. The sum of the undiscounted cash flows from a project.
 - C. A project's internal rate of return when the project's NPV is equal to zero.
- 2. Shirley Shea has evaluated an investment proposal and found that its payback period is one year, it has a negative NPV, and it has a positive IRR. Is this combination of results possible?**
 - A. Yes.
 - B. No, because a project with a positive IRR has a positive NPV.
 - C. No, because a project with such a rapid payback period has a positive NPV.
- 3. An investment of \$20,000 will create a perpetual after-tax cash flow of \$2,000. The required rate of return is 8 percent. What is the investment's profitability index?**
 - A. 1.08.
 - B. 1.16.
 - C. 1.25.
- 4. Erin Chou is reviewing a profitable investment project that has a conventional cash flow pattern. If the cash flows for the project, initial outlay, and future after-tax cash flows all double, Chou would predict that the IRR would:**
 - A. Increase and the NPV would increase.
 - B. Stay the same and the NPV would increase.
 - C. Stay the same and the NPV would stay the same.
- 5. The cost of debt can be determined using the yield-to-maturity and the bond rating approaches. If the bond rating approach is used, the:**
 - A. Coupon is the yield.
 - B. Yield is based on the interest coverage ratio.
 - C. Company is rated and the rating can be used to assess the credit default spread of the company's debt.

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6. A financial analyst at Bucks Ltd. wants to compute the company's weighted average cost of capital (WACC) using the dividend discount model. The analyst has gathered the following data:

Before-tax cost of new debt	8 percent
Tax rate	40 percent
Target debt-to-equity ratio	0.8033
Stock price	\$30
Next year's dividend	\$1.5
Estimated growth rate	7 percent

Buck's WACC is closest to:

- A. 8 percent.
 - B. 9 percent.
 - C. 12 percent.
7. The cost of equity is equal to the :
- A. Expected market return.
 - B. Rate of return required by stockholders .
 - C. Cost of retained earnings plus dividends.
8. Using the dividend discount model, what is the cost of equity capital for Zeller Mining if the company will pay a dividend of C\$2.30 next year, has a payout ratio of 30 percent, a return on equity (ROE) of 15 percent, and a stock price of C\$45 ?
- A. 9.61 percent .
 - B. 10.50 percent .
 - C. 15.61 percent.
9. A company has 1 million shares outstanding and earnings are £2 million. The company decides to use £ 10 million in idle cash to repurchase shares in the open market. The company's shares are trading at £50 per share. If the company uses the entire £ 10 millions of idle cash to repurchase shares at the market price, the company's earnings per share will be *closest* to:
- A. £2.00.
 - B. £2.30
 - C. £2.50
10. Degree of operating leverage is *best* described as a measure of the sensitivity of:
- A. Net earnings to changes in sales.
 - B. Fixed operating costs to changes in variable costs.
 - C. Operating earnings to changes in the number of units produced and sold.

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- 11. The business risk of a particular company is most accurately measured by the company's:**
- A. Debt-to-equity ratio.
 - B. Efficiency in using assets to generate sales.
 - C. Operating leverage and level of uncertainty about demand, output prices, and competition.
- 12. The payment of a 10 percent stock dividend by a company will result in an increase in that company's:**
- A. Current ratio.
 - B. Financial leverage
 - C. Contributed capital
- 13. If a company's common shares trade at relatively very low prices, that company would be *most likely* to consider the use of a:**
- A. Stock split.
 - B. Stock dividend.
 - C. Reverse stock split.
- 14. All other things being equal, the payment of an internally financed cash dividend is *most likely* to result in:**
- A. A lower current ratio.
 - B. A higher current ratio.
 - C. The same current ratio.
- 15. Cumulative voting is *best* described as:**
- A. A mechanism for suppressing hostile takeovers.
 - B. A means of offsetting the negative consequences of super-voting rights shares.
 - C. Enhancing the likelihood that shareowners' interests are represented on the Board.
- 16. Which of the following is *least* consistent with good corporate governance?**
- A. Allowing shareowners the right to vote their shares by proxy.
 - B. Ensuring that a majority of the members of the audit committee are independent members of the Board.
 - C. Requiring a supermajority to pass shareowner resolutions and a simple majority to pass Board- or management-sponsored initiatives.

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17. Regarding corporate governance, for which of the following areas of responsibility is a board committee *least likely* to be created?

- A. Ethics.
- B. Nominations to the Board.
- C. Compensation of executive management.

18. Regarding corporate governance, which of the following is least likely to be part of a strong code of ethics? Provisions prohibiting the :

- A. Company from using stock incentive options as a form of executive compensation .
- B. Use of Company airplanes for the personal benefit of Board Members, management, or their family members .
- C. Company from offering shares at discounted prices to management, Board Members, and other insiders prior to a public offering of securities.

19. Suppose a company has a current ratio of 2.5 times and a quick ratio of 1.5 times. If the company's current liabilities are €100 million. the amount of inventory is closest to :

- A. €50 million .
- B. €100 million .
- C. €150 million.

20. Given the following financial statement data, calculate the net operating cycle for this company.

	In Millions (\$)
Credit sales	40,000
Cost of goods sold	30,000
Accounts receivable	3,000
Inventory-Beginning balance	1,500
Inventory-Ending balance	2,000
Accounts payable	4,000

The net operating cycle of this company is *closest* to:

- A. 3.8 days.
- B. 24.3 days.
- C. 51.7 days.

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21. A company increasing its credit terms for customers from 1/10, net 30 to 1/10, net 60 will *most likely* experience:

- A. An increase in cash on hand.
- B. A higher level of uncollectible accounts.
- C. An increase in the average collection period.

22. Investors should use a portfolio approach to:

- A. Reduce risk.
- B. Monitor risk.
- C. eliminate risk

23. Which of the following is the *best* reason for an investor to be concerned with the composition of a portfolio?

- A. Risk reduction.
- B. Downside risk protection.
- C. Avoidance of investment disasters.

24. With respect to the formation of portfolios, which of the following statements is *most accurate*?

- A. Portfolios affect risk less than returns.
- B. Portfolios affect risk more than returns.
- C. Portfolios affect risk and returns equally.

25. Which of the following institutional investors will most likely have the longest time horizon

- A. Defined benefit plan .
- B. University endowment .
- C. Life insurance Company.

26. A defined benefit plan with a large number of retirees *is likely* to have a *high* need for :

- A. Income.
- B. Liquidity.
- C. Insurance.

27. which respect to the portfolio management process, the asset allocation is determined in the :

- A. Planning step .
- B. Feedback step .
- C. Execution step.

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28. Which of the following investment products is most likely to trade at their net asset value per share ?

- A. Exchange traded funds .
- B. Open-end mutual funds .
- C. Closed-end mutual funds.

29. Which of the following forms of pooled investments is subject to the *least* amount of regulation?

- A. Hedge funds.
- B. Exchange traded funds.
- C. Closed-end mutual funds.

30. Which of the following performance measures is consistent *with the* CAPM?

- A. M-squared.
- B. Sharpe ratio.
- C. Jensen's alpha.

31. Which of the following return calculating methods is best for evaluating the annualized returns of a buy-and-hold strategy of an investor who has made annual deposits to an account for each of the last five years?

- A. Geometric mean return.
- B. Arithmetic mean return.
- C. Money-weighted return.

32. With respect to capital market theory, which of the following asset characteristics is least likely to impact the variance of an investor's equally weighted portfolio?

- A. Return on the asset.
- B. Standard deviation of the asset.
- C. Covariance of the asset with the other assets in the portfolio.

33. A portfolio manager creates the following portfolio:

Security	Security Weight (%)	Expected Standard Deviation (%)
1	30	20
2	70	12

If the correlation of returns between the two securities is 0.40, the expected standard deviation of the portfolio is closest to:

- A. 10.7%.
- B. 11.3%.
- C. 12.1%.

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- 34. Which of the following statements is *least* accurate? The efficient frontier is the set of all attainable risky assets with the:**
- A. Highest expected return for a given level of risk.
 - B. Lowest amount of risk for a given level of return.
 - C. Highest expected return relative to the risk-free rate.
- 35. The set of portfolios 'on the minimum-variance frontier that dominates all sets of portfolios below the global minimum-variance portfolio is the:**
- A. Capital allocation line.
 - B. Markowitz efficient frontier.
 - C. Set of optimal risky portfolios.
- 36. With respect to capital market theory, the average beta of all assets in the market is:**
- A. Less than 1.0.
 - B. Equal to 1.0.
 - C. Greater than 1.0.
- 37. The slope of the security characteristic line is an asset's:**
- A. Beta.
 - B. Excess return.
 - C. risk premium
- 38. The sum of an asset's systematic variance and its nonsystematic variance of returns is equal to the asset's:**
- A. Beta.
 - B. Total risk.
 - C. Total variance.
- 39. A portfolio on the capital market line with returns greater than the returns on the market portfolio represents a(n):**
- A. Lending portfolio.
 - B. Borrowing portfolio.
 - C. Unachievable portfolio.
- 40. The capital market line, CML, is the graph of the risk and return of portfolio combinations consisting of the risk-free asset and:**
- A. Any risky portfolio.
 - B. The market portfolio.
 - C. The leveraged portfolio.

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41. The portfolio of a risk-free asset and a risky asset has a better risk-return trade-off than investing in only one asset type because the correlation between the risk-free asset and the risky asset is equal to:

- A. -1.0.
- B. 0.0.
- C. 1.0

42. The line depicting the risk and return of portfolio combinations of a risk-free asset and any risky asset is the:

- A. Security market line.
- B. Capital allocation line.
- C. Security characteristic line.

43. Which of the following *best* describes the underlying rationale for a written investment policy statement (IPS)?

- A. A written IPS communicates a plan for trying to achieve investment success.
- B. A written IPS provides investment managers with a ready defense against client lawsuits.
- C. A written IPS allows investment managers to instruct clients about the proper use and purpose of investments.

44. Tactical asset allocation is best described as:

- A. Attempts to exploit arbitrage possibilities among asset classes.
- B. The decision to deliberately deviate from the policy portfolio.
- C. Selecting asset classes with the desired exposures to sources of systematic risk in an investment portfolio.

45. Returns on asset classes are best described as being a function of:

- A. The failure of arbitrage.
- B. Exposure to the idiosyncratic risks of those asset classes.
- C. Exposure to sets of systematic factors relevant to those asset classes.

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	A	B	C
1			X
2	X		
3			X
4		X	
5			X
6		X	
7		X	
8			X
9			X
10			X
11			X
12			X
13			X
14	X		
15			X
16			X
17	X		
18	X		
19		X	
20	X		
21			X
22	X		
23	X		

	A	B	C
24		X	
25		X	
26	X		
27			X
28		X	
29	X		
30			X
31	X		
32	X		
33			X
34			X
35		X	
36		X	
37	X		
38			X
39		X	
40		X	
41		X	
42		X	
43	X		
44		X	
45			X