

Business forms essay sample

[Finance](#), [Investment](#)



Which of the following business forms is the easiest to raise capital?

- a. sole proprietorship.
- b. partnership.
- c. corporation
- d. limited liability partnership

Which of the following factors or activities can be controlled by management of the firm?

- a. capital budgeting
- b. the level of interest rates
- c. stock market conditions
- d. the level of economic activity

Tre-Bien Bakeries generated net income of \$233, 412 this year. At year end, the company had accounts receivables of \$47, 199, inventory of \$63, 781, and cash of \$21, 461. It also had accounts payables of \$51, 369, short-term notes payables of \$11, 417, and accrued taxes of \$6, 145. The net working capital of the firm is

- a. None of these
- b. \$63, 510
- c. \$69, 655
- d. \$68, 931

Which of the following best represents cash flows to investors? a. Cash flow from operating activity, minus cash flow invested in net working capital, minus cash flow invested in long-term assets. b. Cash flow from operating activity, plus cash flow generated from net working capital. c. Earnings before interest and taxes time $1 - \text{the firm's tax rate}$. d. net income

minus dividends paid to preferred stockholders. Coverage ratios: Sectors, Inc., has an EBIT of \$7, 221, 643 and interest expense of \$611, 800. Its depreciation for the year is \$1, 434, 500. What is its cash coverage ratio?

- a. None of these
- b. 15. 42 times
- c. 18. 34 times
- d. 14. 15 times

Multiples analysis: Turner Corp. has debt of \$230 million and generated a net income of \$121 million in the last fiscal year. In attempting to determine the total value of the firm, an investor identified a similar firm in Jacobs, Inc., an all-equity firm. This firm had 150 million shares outstanding, a share price of \$14. 25, and net income of \$182 million. What is the total value of Turner Corp.? Round to the nearest million dollars.

- a. \$1, 651 million
- b. \$1, 191 million
- c. \$1, 421 million
- d. \$1, 715 million

Efficiency ratio: If Viera, Inc., has an accounts receivable turnover of 3. 9 times and net sales of \$3, 436, 812, what is its level of receivables?

- a. \$881, 234
- b. \$13, 403, 567
- c. \$1, 340, 357
- d. \$81, 234

The operating cycle

- a. To measure operating cycle we need another measure called the days' payables outstanding.
- b. begins when the firm receives the raw materials it purchased that would be used to produce the goods that the firm manufactures.
- c. begins when the firm uses its cash to purchase raw materials and ends when the firm collects cash payments on credit sales
- . d. ends not with the finished goods being sold to customers and the cash collected on the sale; but when you take into account the time taken by the firm to pay for its purchases. The asset substitution problem occurs when:
 - a. managers substitute less risky assets for riskier ones to the detriment of bondholders.
 - b. managers substitute riskier assets for less riskier ones to the detriment of equity holders.
 - c. managers substitute riskier assets for less risky ones to the detriment of bondholders.
 - d. managers substitute less risky assets for riskier ones to the detriment of equity holders.

The financing plan of a firm will indicate:

- a. the firm's dividend policy, the desired capital structure for the firm, and the firm's working capital policy.
- b. the dollar amount of funds that has been raised externally and the sources of funds available to the firm, the firm's dividend policy, and the firm's working capital policy.

c. the dollar amount of funds that has been raised externally and the sources of funds available to the firm, the desired capital structure for the firm, and the firm's dividend policy.

d. the dollar amount of funds that has been raised externally, and the sources of funds available to the firm, the desired capital structure for the firm, and the firm's working capital policy

. Present value: Tommie Harris is considering an investment that pays 6.5 percent annually. How much must he invest today such that he will have \$25,000 in seven years? (Round to the nearest dollar.)

a. \$16,088

b. \$38,850

c. \$23,474

d. \$26,625

PV of multiple cash flows: Hassan Ali has made an investment that will pay him \$11,455, \$16,376, and \$19,812 at the end of the next three years. His investment was to fetch him a return of 14 percent. What is the present value of these cash flows? (Round to the nearest dollar.)

a. \$36,022

b. \$39,208

c. \$33,124

d. \$41,675

Present value of an annuity: Transit Insurance Company has made an investment in another company that will guarantee it a cash flow of \$37,250 each year for the next five years. If the company uses a discount rate of 15

percent on its investments, what is the present value of this investment?

(Round to the nearest dollar.)

- a. \$251, 154
- b. \$186, 250
- c. \$101, 766
- d. \$124, 868

PV of dividends: Cortez, Inc., is expecting to pay out a dividend of \$2. 50 next year. After that it expects its dividend to grow at 7 percent for the next four years. What is the present value of dividends over the next five-year period if the required rate of return is 10 percent?

- a. \$11. 50.
- b. \$10. 76
- c. \$9. 80
- d. \$11. 88.

The process of identifying the bundle of projects that creates the greatest total value and allocating the available capital to the projects is known as:

- a. budgeting
- b. risk analysis
- c. rationing
- d. capital rationing

What might cause a firm to face capital rationing?

- a. if a firm rejects some capital investments that are expected to generate positive NPVs.
- b. if investors require returns for their capital that are too high

- c. if a firm has several projects that are expected to generate negative IRRs.
- d. If a firm has more than one project with a positive NPV.

The cost of equity: RadicalVenOil, Inc., has a cost of equity capital equal to 22.8 percent. If the risk-free rate of return is 10 percent and the expected return on the market is 18 percent, then what is the firm's beta if the firm's marginal tax rate is 35 percent?

- a. 1.28.
- b. 4.10.
- c. 1.60.
- d. 1.0.

Which type of project do financial managers typically use the highest cost of capital when evaluating?

- a. Efficiency projects
- b. Extension projects
- c. New product projects
- d. Market expansion projects

Planning models that are more sophisticated than the percent of sales method have:

- a. all variable costs change directly with sales
- b. working capital accounts like inventory, accounts receivable, and accounts payables vary directly with sales.
- c. fixed assets that do not always vary with sales.
- d. all of these are true.

External financing needed: Triumph Company has total assets worth \$6, 413, 228. Next year it expects a net income of \$3, 145, 778 and will pay out 70 percent as dividends. If the firm wants to limit its external financing to \$1 million, what is the growth rate it can support?

- a. 6. 4%
- b. 32. 9%
- c. 30. 3%
- d. 26. 5%