

# [Multiple choice questions argumentative essay](https://assignbuster.com/multiple-choice-questions-argumentative-essay/)

[Business](https://assignbuster.com/essay-subjects/business/), [Company](https://assignbuster.com/essay-subjects/business/company/)

CH 1 Answers Multiple Choice Questions 1. E 8. E 15. E 2. E 9. E 16. A 3. E 10. C 17. D 4. E 11. E 18. E 5. D 12. A 6. B 13. D 7. E 14. E CH 2 Answers Multiple Choice Questions 1. C 11. B 21. E 2. C 12. E 22. A 3. B 13. E 23. C 4. B 14. E 24. D 5. D 15. B 25. C 6. E 16. D 26. A 7. A 17. D 27. D 8. D 18. E 28. B 9. A 19. C 10. D 20. E CH 3 Answers Multiple Choice Questions 1 B 9. B 17. D 2. C 10. A 18. E 3. B 11. A 19. C 4. D 12. B 20. D 5. E 13. D 21. C 6. A 14. A 7. C 15. D 8. E 16. A CH 4 Answers Multiple Choice Questions 1 B 9. B 17. D 2. C 10. A 18. E 3. B 11. A 19. C 4. D 12. B 20. D 5. E 13. D 21. C 6. A 14. A 7.

C 15. D 8. E 16. A 9. D 18. B CH 5 Answers Multiple Choice Questions 1. E 11. B 21. C 2. B 12 B 22. A 3. C 13. B 23 B 4. C 14. E 24 A 5. B 15. E 25. C 6. B 16. C 26. E 7. D 17. D 27. B 8. A 18. A 28. A 9. B 19. D 29. D 10. B 20. A Solutions 16. Solution: use Equation (5-4) [(. 32 - . 30)/. 30] x (360/180) = 13. 3% 17. Solution: use Equation (5-4) [(. 30 - . 32)/. 32] x (360/180) = -12. 5% 18. Solution: cross rate . 28/. 86 = . 3256 19. Solution: cross rate DM. 31/FF: FF1/DM. 31 = FF3. 23/DM FF3. 23/$. 35 = FF9. 228/$ 20. Solution: use Equation (5-1) [(. 0045 - . 0035)/. 0035 = 29% 21. Solution: use Equation (5-8) [(. 864 - S)/S) x (360/90)] = . 10 - . 04 S = . 3807 22. Solution: use Equation (5-6). Remember that Cr$3342. 63 = $0. 0002991. new exchange rate = $0. 0002991[(1 + . 05)/(1 + . 90)] = $. 0001652/Cr$; or Cr$1/$. 0001653 = Cr$6053. 27/$ 23. Solution: Use Equation (5-7): nominal rate = real rate + inflation rate. nominal rate = 5% + 4% = 9% Solution: invest in the U. S. : $10, 000 x 1. 01 = $10, 100 invest in the U. K. and cover in the forward market. buy pounds at the present spot rate: $10, 000/1. 8 = ? 5, 555 invest in the U. K: ? 5, 555 x 1. 015 = ? 5, 638 sell pounds forward: ? 5, 638 x 1. 8 = $10, 036 The investor would earn $64 more by investing in the United States instead of the United Kingdom. 25. Solution: use Equation (5-8) and solve for the forward rate: [(F - 1. 800)/1. 800 x (360/90)] = 0. 04 - 0. 06 F = ? 1. 809 26. Solution: use Equation (5-8) and solve for the U. K. interest rate. [(1. 780 - 1. 800)/1. 800 x (360/90)] = 0. 04 – if if = 0. 084 27. Solution: Use Equation (5-1). % Change = (0. 68 - 0. 64)/0. 64 = 0. 0625 or 6. 25% 28. Solution: Converting the above example into indirect quotations, the Swiss franc changes from 1. 5625 francs to 1. 4706 francs.

Use Equation (5-2) to solve this problem. % Change = (1. 5625 - 1. 4706)/1. 4706 = 6. 25% 29. Solution: Use Equation (5-3). Spread = (0. 68 - 0. 64)/0. 64 = 0. 0625 or 6. 25% CH 6 Answers Multiple Choice Questions 1. E 10. E 19. B 2. E 11. B 20. E 3. E 12. E 21. E 4. B 13. A 22. C 5. C 14. A 23. D 6. E 15. D 24. A 7. C 16. C 25. B 8. B 17. D 9. B 18. A Solutions 16. $value = $0. 50 x DM10, 000, 000 = $5, 000, 000 17. Investment =? 62, 500 x $1. 65 x 0. 02 = $2, 062. 50 Profit = ? 62, 500 ($1. 67 - $1. 65) = 1, 250 Rate of return = (1, 250/2, 062. 50) x (12/6) = 121% 18. Potential profit = $1. 65 - $1. 62 = $0. 3 19. Potential loss = $1. 62 - $1. 65 = -$0. 03 20. Buy call options on March 19 -$0. 04 Exercises the option on September 19 -$0. 80 Sell the pounds on September 19 +$0. 92 Net profit as of September 19 +$0. 08 Net profit for three contracts = Can$150, 000 x $0. 08= $12, 000 21. Total loss = Can$150, 000 x $0. 04 = $6, 000 22. Intrinsic value = $0. 16 - $0. 15 = $0. 01 23. Breakeven point = $1. 75 + $0. 07 = $1. 82 24. Total receipts = FF10, 000, 000 x $0. 20 = $2, 000, 000 total premium = FF10, 000, 000 x $0. 05 =$ 500, 000 net receipts = $1, 500, 000 25. Breakeven point = $0. 70 - $0. 05 = $0. 65 CH 7

Answers Multiple Choice Questions 1. E 10. C 19. C 2. E 11. B 20. B 3. E 12. B 21. D 4. C 13. A 22. E 5. E 14. B 23. A 6. A 15. B 24. C 7. E 16. C 25. D 8. A 17. E 26. A 9. C 18. A 27. D Solutions 20. $7, 500, 000 x (0. 082 - 0. 08) = $15, 000. 21. $15, 000 x the annuity discount factor of $1 for 5 years at 8 percent = $15, 000 x 3. 993 = $59, 895. 22. You will receive a total of $30, 000 for the first two years [$7, 500, 000 x (0. 082 - 0. 080) x 2]. The new floating rate that you will receive: 8. 2% -1. 5% = 6. 7%. You will pay a total of $292, 500 for the last three years [$7, 500, 000 x (0. 67 - 0. 08) x 3 years]. Thus, your net payment over the five years will be -$262, 500 ($30, 000 - $292, 500). 23. $500, 000 x SFr1. 4 = SFr700, 000. 24. $500, 000 x 0. 09 = $45, 000. 25. $500, 000 x (0. 09 - 0. 08) = $5, 000. 26. SFr700, 000 (1. 08) = SFr756, 000. 27. $500, 000 (1. 09) = $545, 000. CH 8 Answers Multiple Choice Questions 1. E 9. E 17. D 2. C 10. A 18. D 3. E 11. D 19. A 4. D 12. E 20. C 5. E 13. C 21. E 6. D 14. E 22. C 7. E 15. D 23. C 8. B 16. C 24. E Solutions 18. Use Equation (8-1): % Change = ( 0. 70 - 0. 65 ) / 0. 65 = 7. 69% 19. Use Equation (8-2): % Change = ( 0. 65 - 0. 0 ) / 0. 70 = -7. 14% 20. Use Equation (8-1): % Change = ( 0. 44 - 0. 40 ) / 0. 40 = 10% 21. Use Equation (8-3): Predicted Rate = $0. 4 x [ ( 1 + 0. 05 ) / ( 1 + 0. 03 ) ] = $0. 4078 22. ( 0. 4400 - 0. 4078 ) / 0. 4078 = 7. 9% 23. Use Equation (8-5): Predicted Rate = $0. 50 x [ ( 1 + 0. 12 ) 5 / ( 1 + 0. 08 ) 5 ] = $0. 5997 CH 9 Answers Multiple Choice Questions 1. B 10. D 19. C 2. E 11. D 20. D 3. D 12. A 21. A 4. C 13. A 22. A 5. E 14. E 23. C 6. E 15. E 24. D 7. C 16. A 8. E 17. C 9. D 18. B Solutions 12. Call option = ? 50, 000 x $1. 7 = $85, 000 Spot transaction = ? 50, 000 x $1. = $90, 000 Thus, the U. S. company should exercise the option. 16. Net Exposure = Ps300 million - Ps200 million = Ps100 million Gain or loss = $0. 0001 x (-Ps100 million)= - $10, 000 17. (Expected amount) $15 million - (actual amount) $14 million = exchange loss of $1 million 18. (Profit after taxes) ? 50 million + (depreciation) ? 10 million = (cash flows from operation) ? 60 million Exchange gain or loss = ? 60 million x $0. 02 = $1. 2 million 19. Gain or loss = $15 million x 3 = $45 million 20. [ ( 1. 8090 - 1. 800 ) / 1. 8000 ] x 360 / 90 = 0. 08 - 0. 1 0. 02 = 0. 02 21. irect loan credit swap 50, 000y + (250, 000y - 500, 000) = 50, 000y + 50, 000 y = 2. 2 22. $value = $2. 02 x ? 10, 000 = $20, 200 23. 1) borrow ? 9, 709 (10, 000/1. 03) 2) buy $19, 515 (? 9709 x $2. 01) 3) invest $19, 515 in the U. S. at 2% 4) receive $19, 905 ($19, 515 x 1. 02) 24. Call option = ? 50, 000 x $1. 7 = $85, 000 CH 10 Answers Multiple Choice Questions 1. E 10. D 19. e 2. E 11. E 20. E 3. C 12. E 21. D 4. B 13. D 22. A 5. E 14. D 23. E 6. E 15. E 7. D 16. E 8. E 17. B 9. E 18. C CH 11 Answers Multiple Choice Questions 1. B 9. A 17. B 2. B 10. B 18. E 3. E 11. D 19. B 4. E 12. D 20. C 5. B 13. A 21.

D 6. D 14. E 22. E 7. B 15. A 8. D 16. C CH 12 Answers Multiple Choice Questions 1. E 10. B 19. C 2. A 11. A 20. D 3. E 12. C 21. D 4. E 13. C 22. B 5. B 14. B 23. D 6. D 15. E 24. C 7. D 16. E 25. C 8. E 17. E 9. E 18. A CH 13 Answers Multiple Choice Questions 1. C 8. C 15. E 2. A 9. D 16. A 3. D 10. E 17. D 4. E 11. C 18. B 5. D 12. B 19. E 6. D 13. B 20. B 7. D 14. D 21. D CH 14 Answers Multiple Choice Questions 1. E 11. E 21. D 2. D 12. E 22. E 3. E 13. B 23. C 4. E 14. A 24. B 5. A 15. B 25. A 6. A 16. C 26. D 7. B 17. B 27. D 8. B 18. E 28. C 9. E 19. C 10. D 20. A Solutions 25. Solution: U. S. nvestment earns 1 percent. Percentage change in mark = ($0. 40 - $0. 50)/$0. 50 = -20%. German investment loses 18. 8 percent: [(1 + 0. 015)(1 + (- 0. 20)] - 1 = -18. 8%. 26. Solution: Convert DM100, 000 to $50, 000 at $0. 50 rate. Invest $50, 000 in the U. S. at 11 percent. ($50, 000 x 1. 11 = $55, 500) Reconvert dollars to marks. ($55, 500/$0. 46 = DM120, 652) Yield = (DM120, 652 - DM100, 000)/DM100, 000 = 20. 65%. 27. Solution: Use Equation (14-1). 0. 10 = (1 + 0. 13)(1 + ie) - 1; solve the equation for ie (percentage depreciation). ie = (1 + 0. 10/(1 + 0. 13) - 1 = -2. 65%. 28. Solution:

Use Equation (14-1). 0. 09 = (1 + 0. 60)(1 + ie) - 1; solve the equation for ie (percentage depreciation). ie = (1 + 0. 09)/(1 + 0. 60) - 1 = -31. 88%. CH 15 Answers Multiple Choice Questions 1. B 9. A 17. D 2. E 10. E 18. A 3. D 11. B 19. E 4. E 12. D 20. A 5. A 13. B 21. A 6. E 14. B 22. B 7. A 15. E 23. E 8. B 16. C 24. A Solution 20. Use Equation (15-2): R = . 07 + (. 15 - . 07) 1. 4 = 18. 2% 21. Use Equation (15-2): R = . 05 + (. 11 - . 05) 1. 2 = 12. 2% < 20% 22. Use Equation (15-4): Rp = (. 4) (. 12) + (. 6) (. 20) = 16. 8%. 23. Use Equation (15-4): 0. 17 = (0. 60) (Rus) + (0. 40) (0. 20). Rus = 15%. 4. Average price = (40 + 50 + 60) / 3 = $50. Use Equation (15-1) for the standard deviation: Standard deviation = {[ ( 40 - 50 ) 2 + ( 50 - 50 ) 2 + ( 60 - 50 ) 2 ] / ( 3 - 1 ) } ? =$10. 1. The coefficient of variation = 10 / 50 = 0. 20. CH 16 Answers Multiple Choice Questions 1. E 11. A 21. C 2. B 12. C 22. E 3. B 13. D 23. C 4. E 14. E 24. B 5. A 15. B 25. B 6. C 16. D 26. B 7. C 17. B 27. A 8. B 18. E 28. E 9. D 19. C 10. C 20. A CH 17 Answers Multiple Choice Questions 1. A 11. D 2. D 12. E 3. B 13. E 4. B 14. E 5. D 15. A 6. E 16. B 7. C 17. A 8. C 18. C 9. B 19. A 10. A Solutions 15. ayback period = 1 + (15, 000 - 8, 000)/9, 000 = 1. 8 years. 16. NPV = $8, 000/(1. 12) + $9, 000/(1. 12)2 + $10, 000/(1. 12)3 + $10, 000/(1. 12)4 -$ 15, 000 = $13, 433. 17. NPV = $8, 000/(1. 20) + $9, 000/(1. 20)2 + $10, 000/(1. 20)3 + $10, 000/(1. 20)4 -$ 15, 000 = $9, 002. 18. Year 1: DM12, 000, 000 x $0. 60 = $ 7, 200, 000 Year 2: DM30, 000, 000 x $0. 60 = $18, 000, 000 Net present value = $7, 200, 000/(1. 18) + $18, 000, 000/(1. 18)2 - $8, 000, 000 = $11, 029, 015. 19. NPV = $900 (0. 75)/(1. 06) + $1, 000(0. 55) /(1. 06)2 + $1, 400(0. 35)/(1. 06)3 -$ 1, 400 = $138. CH 18 Answers Multiple Choice Questions 1. D 10.

C 19. E 2. C 11. C 20. B 3. D 12. E 21. E 4. E 13. B 22. C 5. B 14. B 23. B 6. C 15. E 24. E 7. B 16. A 25. D 8. D 17. A 26. E 9. B 18. E 27. A 28. D Solutions 21. Use Equation (18-2): Cost of common stock = 4 / 54 + . 09 = 16. 4% 22. Use Equation (18-5): Cost of bond = . 124 (1 - . 40) = 7. 4% 23. Use Equation (18-1): Cost of capital = (120, 000/200, 000). 164 + (80, 000/200, 000). 074 = 12. 8% 24. Use Equation (18-3): Cost of common stock = 0. 06 + (0. 08 - 0. 06) 1. 2 = 8. 4%. 25. Use Equation (18-6): The before-tax cost of debt = 0. 30 x 0. 85 - 0. 15 = 0. 105. After-tax cost of debt = 0. 105 (1 - 0. 35) = 6. 3% 26. Use Equation (18-4): The cost of common stock = 1 / 25 = 4%. 27. If you rearrange Equation (18-2) for the market price of equity, you will have: market price = dividend / (cost of equity - annual dividend growth rate) = $1. 2 / (0. 20 - 0. 04) = $7. 50. 28. Solve Equation (18-2) for the market price of equity: Because the dividend per share is $2. 40 ($4. 00 x 0. 60), market price of the stock = $2. 4 / (0. 12 - 0. 05) = $34. 29. CH 19 Answers Multiple Choice Questions 1. E 11. E 2. D 12. A 3. D 13. E 4. A 14. A 5. D 15. D 6. A 16. E 7. E 17. D 8. E 18. C 9. C 19. C 10. D 20. A