

# Multiple choice questions argumentative essay

[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)  $[(.32 - .30)/.30] \times (360/180) = 13.3\%$  17. Solution: use Equation (5-4)  $[(.30 - .32)/.32] \times (360/180) = -12.5\%$  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)  $[(.864 - S)/S] \times (360/90) = .10 - .04$   $S = .3807$  22. Solution: use Equation (5-6). Remember that  $Cr\$3342.63 = \$0.0002991$ . new exchange rate  $= \$0.0002991[(1 + .05)/(1 + .90)] = \$0.0001652/Cr\$$ ; 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. :  $\$10,000 \times 1.01 = \$10,100$  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:  $? 5,555 \times 1.015 = ?$  5,638 sell pounds forward:  $? 5,638 \times 1.8 = \$10,036$  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:  $[(F - 1.800)/1.800 \times (360/90)] = 0.04 - 0.06$   
 $F = ? 1.809$  26. Solution: use Equation (5-8) and solve for the U. K. interest rate.  $[(1.780 - 1.800)/1.800 \times (360/90)] = 0.04 - \text{if if} = 0.084$  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 =  $\$0.50 \times \text{DM}10,000,000 = \$5,000,000$  17. Investment =  $? 62,500 \times \$1.65 \times 0.02 = \$2,062.50$  Profit =  $? 62,500 (\$1.67 - \$1.65) = 1,250$  Rate of return =  $(1,250/2,062.50) \times (12/6) = 121\%$  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 =  $\text{Can}\$150,000 \times \$0.08 = \$12,000$  21. Total loss =  $\text{Can}\$150,000 \times \$0.04 = \$6,000$  22. Intrinsic value =  $\$0.16 - \$0.15 = \$0.01$  23. Breakeven point =  $\$1.75 + \$0.07 = \$1.82$  24. Total receipts =  $\text{FF}10,000,000 \times \$0.20 = \$2,000,000$  total premium =  $\text{FF}10,000,000 \times \$0.05 = \$500,000$  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.  $\$7,500,000 \times (0.082 - 0.08) =$   
 $\$15,000$ . 21.  $\$15,000 \times$  the annuity discount factor of \$1 for 5 years at 8  
 percent  $= \$15,000 \times 3.993 = \$59,895$ . 22. You will receive a total of \$30,  
 000 for the first two years [ $\$7,500,000 \times (0.082 - 0.080) \times 2$ ]. 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 [ $\$7,500,000 \times (0.067 - 0.08) \times 3$   
 years]. Thus, your net payment over the five years will be  $-\$262,500$  ( $\$30,$   
 $000 - \$292,500$ ). 23.  $\$500,000 \times \text{SFr}1.4 = \text{SFr}700,000$ . 24.  $\$500,000 \times 0.$   
 $09 = \$45,000$ . 25.  $\$500,000 \times (0.09 - 0.08) = \$5,000$ . 26.  $\text{SFr}700,000 (1.$   
 $08) = \text{SFr}756,000$ . 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):  $\% \text{ Change} = (0.70 - 0.65) / 0.65 = 7.$   
 $69\%$  19. Use Equation (8-2):  $\% \text{ Change} = (0.65 - 0.0) / 0.70 = -7.14\%$  20.  
 Use Equation (8-1):  $\% \text{ Change} = (0.44 - 0.40) / 0.40 = 10\%$  21. Use  
 Equation (8-3):  $\text{Predicted Rate} = \$0.4 \times [ (1 + 0.05) / (1 + 0.03) ] = \$0.$   
 $4078$  22.  $(0.4400 - 0.4078) / 0.4078 = 7.9\%$  23. Use Equation (8-5):  
 $\text{Predicted Rate} = \$0.50 \times [ (1 + 0.12)^5 / (1 + 0.08)^5 ] = \$0.5997$  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 = ?  $50,000 \times \$1.7 = \$85,000$  Spot  
 transaction = ?  $50,000 \times \$1. = \$90,000$  Thus, the U. S. company should  
 exercise the option. 16. Net Exposure =  $\text{Ps}300 \text{ million} - \text{Ps}200 \text{ million} =$

Ps100 million Gain or loss =  $\$0.0001 \times (-\$100 \text{ million}) = -\$10,000$  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  $\times \$0.02 = \$1.2$  million 19. Gain or loss =  $\$15 \text{ million} \times 3 = \$45$

million 20.  $[(1.8090 - 1.800) / 1.8000] \times 360 / 90 = 0.08 - 0.1$  0.02 = 0.

02 21. Direct loan credit swap  $50,000y + (250,000y - 500,000) = 50,000y +$

$50,000y = 2.2$  22. \$value =  $\$2.02 \times ? 10,000 = \$20,200$  23. 1) borrow ?

9,709  $(10,000/1.03)$  2) buy \$19,515  $(? 9709 \times \$2.01)$  3) invest \$19,515 in

the U. S. at 2% 4) receive \$19,905  $(\$19,515 \times 1.02)$  24. Call option = ? 50,

000  $\times \$1.7 = \$85,000$  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. investment

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. ( $\$50,000 \times 1.11 = \$55,500$ )

Reconvert dollars to marks. ( $\$55,500 / \$0.46 = \text{DM}120,652$ ) Yield =  $(\text{DM}120,$

$652 - \text{DM}100,000) / \text{DM}100,000 = 20.65\%$ . 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):  $R_p = (.4)(.12) + (.6)(.20) = 16.8\%$ . 23. Use

Equation (15-4):  $0.17 = (0.60)(R_{us}) + (0.40)(0.20)$ .  $R_{us} = 15\%$ . 4.

Average price =  $(40 + 50 + 60) / 3 = \$50$ . Use Equation (15-1) for the

standard deviation: Standard deviation =  $\{[(40 - 50)^2 + (50 - 50)^2 +$

$(60 - 50)^2] / (3 - 1)\}^{1/2} = \$10$ . 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. payback 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)<sup>2</sup> - \$8, 000, 000 = \$11, 029, 015. 19. NPV  
 = \$900 (0. 75)/(1. 06) + \$1, 000(0. 55) /(1. 06)<sup>2</sup> + \$1, 400(0. 35)/(1. 06)<sup>3</sup> - \$  
 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 =  $0.$   
 $30 \times 0.85 - 0.15 = 0.105$ . 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 ( $\$4.00 \times 0.60$ ), 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