

# FIN 370 Final Exam

University of Phoenix is a big online education organization in the USA. UOP E Assignments is presenting to the best online education tutorial is FIN 370 Final Exam, FIN 370 final exam question and answers, FIN 370 final exam version 4, FIN 370 final exam set 1, FIN 370 final exam answers.

## FIN 370 Week 5 Final Exam (Latest - A Graded) –

1. The Securities Investor Protection Corporation protects individuals from

- brokerage firm failures
- making poor investment decisions
- fraud by corporations
- other investors who fail to make delivery

2. You just purchased a parcel of land for \$10,000. If you expect a 12% annual rate of return on your investment, how much will you sell the land for in 10 years?

- \$38,720
- \$39,720
- \$31,060
- \$25,000

3. When calculating the weighted average cost of capital, which of the following has to be adjusted for taxes?

- Debt
- Preferred stock
- Retained earnings

- Common stock

4. Buying and selling in more than one market to make a riskless profit is called:

- profit maximization.
- globalization
- arbitrage.
- international trading.

5. Which of the following is true about bonds?

- They have a fixed maturity, and they pay an amount equal to the maturity value times the coupon rate each year.
- At maturity of the bond, the investor receives the market price of the bond.
- They are obligations from the investor to the corporation.
- Their interest rate always varies with the Consumer Price Index

6. Compute the payback period for a project with the following cash flows, if the company's discount rate is 12%.

Initial outlay = \$450

Cash flows:      Year 1 = \$325

                         Year 2 = \$65

                         Year 3 = \$100

- 3.17 years
- 2.6 years
- 2.88 years
- 3.43 years

7. Which of the following best describes why cash flows are utilized rather than accounting profits when evaluating capital projects?

- Cash flows have a greater present value than accounting profits.
- Cash flows improve the tax position of a firm more than accounting profits.
- Cash flows are more stable than accounting profits.

- Cash flows reflect the timing of benefits and costs more accurately than accounting profits.

8. Delta Inc. is considering the purchase of a new machine which is expected to increase sales by \$10,000 in addition to increasing non-depreciation expenses by \$3,000 annually. Due to the sales increase, Delta expects its working capital to increase \$1,000 during the life of the project. Delta will depreciate the machine using the straight-line method over the project's five year life to a salvage value of zero. The machine's purchase price is \$20,000. The firm has a marginal tax rate of 34 percent, and its required rate of return is 12 percent. The machine's initial cash outflow is:

- \$23,000.
- \$20,000.
- \$27,000.
- \$21,000.

9. Which of the following is most likely to occur if a firm over-invests in net working capital?

- The return on investment will be lower than it should be.
- The times interest earned ratio will be lower than it should be.
- The current ratio will be lower than it should be.
- The quick ratio will be lower than it should be.

10. Metals Corp. has \$2,575,000 of debt, \$550,000 of preferred stock, and \$18,125,000 of common equity. Metals Corp.'s after-tax cost of debt is 5.25%, preferred stock has a cost of 6.35%, and newly issued common stock has a cost of 14.05%. What is Metals Corp.'s weighted average cost of capital?

- 8.32%
- 6.56%
- 10.84%
- 12.78%

11. Which of the following financial ratios is the best measure of the operating effectiveness of a firm's management?

- Return on investment
- Gross profit margin
- Current ratio
- Quick ratio

12. We compute the profitability index of a capital-budgeting proposal by Initial outlay = \$1,748.80

- dividing the present value of the annual after-tax cash flows by the cost of capital.
- multiplying the cash inflow by the IRR.
- multiplying the IRR by the cost of capital.
- dividing the present value of the annual after-tax cash flows by the cost of the project.

13. A company collects 60% of its sales during the month of the sale, 30% one month after the sale, and 10% two months after the sale. The company expects sales of \$10,000 in August, \$20,000 in September, \$30,000 in October, and \$40,000 in November. How much money is expected to be collected in October?

- \$15,000
- \$35,000
- \$25,000
- \$45,000

14. Which of the following could offset the higher risk exposure a company would face if it's current ratio and net working capital were relatively low?

- Its accounts receivable collection policy could increase the average collection period.
- It could offer no discounts for early payment by its customers.
- It could buy back some of its shares in the open market in order to reduce its equity.
- Its current assets would need to be highly liquid.

15. The Oviedo Thespians are planning to present performances of their Florida Revue on 2 consecutive nights in January. It will cost them \$5,000 per night for theater rental, event insurance and professional musicians. The theater will also take 10% of gross ticket sales. How many tickets must they sell at \$10.00 per ticket to raise \$1,000 for their organization?

- 1,314 tickets
- 1,112 tickets
- 1,223 tickets
- 1000 tickets

16. Aspects of demand risk controllable by the firm include:

- product quality.
- interest rates.
- entry of external competitors.
- status of the regional and national economy.

17. Which of the following is true regarding Investment Banks?

- As of 2010, stand alone Investment banks are numerous.
- Under the Glass-Steagal act, commercial banks were allowed to operate as Investment banks.
- As a result of the financial crisis of 2008, all stand-alone Investment banks either failed, were merged into commercial banks, or became commercial banks.
- When Glass-Steagal was repealed in 1999, commercial banks and Investment banks had to be separate entities.

18. Given an accounts receivable turnover of 8 and annual credit sales of \$362,000, the average collection period (360-day year) is

- 60 days.
- 75 days
- 90 days.
- 45 days.

19. When the impact of taxes is considered, as the firm takes on more debt

- there will be no change in total cash flows.
- cash flows will increase because taxes will decrease.
- the weighted average cost of capital will increase.
- both taxes and total cash flow to stockholders and bondholders will decrease.

20. If you have \$20,000 in an account earning 8% annually, what constant amount could you withdraw each year and have nothing remaining at the end of five years?

- \$5,008.76
- \$3,525.62
- \$3,408.88
- \$2,465.78

21. Apple Two Enterprises expects to generate sales of \$5,950,000 for fiscal 2014; sales were \$3,450,000 in fiscal 2013. Assume the following figures for the fiscal year ending 2013: cash \$70,000; accounts receivable \$250,000; inventory \$400,000; net fixed assets \$520,000; accounts payable \$235,000; and accruals \$155,000. Use the percent-of-sales method to forecast cash for the fiscal year ending 2014.

- \$75,003
- \$216,418
- \$120,725
- \$319,604

22. If managers are making decisions to maximize shareholder wealth, then they are primarily concerned with making decisions that should:

- maximize sales revenues
- either increase or have no effect on the value of the firm's common stock.
- increase the market value of the firm's common stock.
- positively affect profits.

23. Project Sigma requires an investment of \$1 million and has a NPV of \$10. Project Delta requires an investment of \$500,000 and has a NPV of \$150,000. The projects involve unrelated new product lines. What is your evaluation of these two projects?

- Only project Delta should be accepted. Alpha's NPV is too low for the investment.
- Neither project should be accepted because they might compete with one another
- The company should look at other investment criteria, not just NPV.
- Both projects should be accepted because they have positive NPV's

24. Capital Structure Theory in general assumes that:

- A firm's value is determined by discounting the firm's expected cash flows by the WACC.
- A firm's cost of capital rises as a firm uses more financial leverage.
- A firm's value is determined by capitalizing (discounting) the firm's expected net income by the firm's cost of equity.
- A firm's cash flows will grow indefinitely at a constant rate.

25. Which of the following best describes why cash flows are utilized rather than accounting profits when evaluating capital projects?

- Cash flows reflect the timing of benefits and costs more accurately than accounting profits.
- Cash flows have a greater present value than accounting profits.
- Cash flows improve the tax position of a firm more than accounting profits.
- Cash flows are more stable than accounting profits.

26. Which of the following is not part of the underwriting process?

- the syndicate
- the prospectus
- the Federal Reserve
- the Securities and Exchange Commission

27. Long-term financial plans typically encompass:

- 6 to 12 months.
- 5 to 10 years.
- about 5 years.
- the entire lifecycle of the corporation.

28. Accounting break-even analysis solves for the level of sales that will result in:

- $IRR = \text{Cost of Capital}$ .
- $\text{net income} = \$0.00$ .
- $\text{Free cash flow} = \$0.00$ .
- $NPV = \$0.00$ .

29. Which of the following statements best represents what finance is about?

- How political, social, and economic forces affect corporations
- Reducing risk
- Creation and maintenance of economic wealth
- Maximizing profits

30. Which of the following goals is in the best long-term interest of stockholders?

- Risk minimization
- Maximizing of the market value of the existing shareholders' common stock
- Maximizing sales revenues
- Profit maximization



## Final Exam Answers just a click away

[ECO 372 Final Exam](#)

[ECO 561 Final Exam](#)

[FIN 571 Final Exam](#)

[FIN 571 Connect Problems](#)

[FIN 575 Final Exam](#)

[LAW 421 Final Exam](#)

[ACC 291 Final Exam](#)

[ACC 561 Final Exam](#)

[BUS 475 Capstone Final Examination Part 1](#)

[BUS 475 Capstone Final Examination Part 2](#)

[COM 295 Final Exam](#)

[COM 537 Final Exam](#)

[ECO 365 Final Exam](#)

[LDR 300 Final Exam](#)

[LDR 531 Final Exam](#)

[MKT 571 Final Exam](#)

[QNT 561 Final Exam](#)

[OPS 571 Final Exam](#)

[LAW 575 Final Exam](#)

Quiz Answers just a click away

<http://www.uopeassignments.com/>