



Menu

1. Which of the following best describes a best efforts underwriting commitment?

- ☒ Underwriter commits to selling as much of the issue as possible at the agreed-on offering price but can return any unsold shares to the issuer without financial responsibility.
- ☐ If the entire issue cannot be sold at the offering price, the deal is called off and the issuing company receives nothing.
- ☐ The underwriter agrees to buy the entire issue and assume full financial responsibility for any unsold shares.
- ☐ Underwriter is only responsible for half (50%) of the issue.

Qualified Assessment

Assignment details

Due Jan 6, 11:59 PM EST

Attempts Unlimited



Retry

2.	Free Cash Flow	100	1 point
	Growth Rate	2%	
	Tax Rate	1%	
	Cost of Capital	5%	
	Debt-to-total value	50%	

Submitted Jan 6, 11:59 PM EST

Your grade
100%

To pass you need at least 80%. We keep your latest score.

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Given the data in the above table, what is the terminal value of the business (using the growing perpetuity formula)?

- ☒ 3400
- ☐ 3000
- ☐ 3366
- ☐ 3600

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3.	Cash	100,000	1 point
	Debt	60,000	
	Tax rate	10%	
	Discount Rate	6%	
	Enterprise Value	500,000	
	Perpetual Growth rate	4%	

Given the data in the above table, calculate market capitalization of this hypothetical company.

- ☐ \$400,000
- ☒ \$540,000
- ☐ \$460,000
- ☐ \$100,000

4.	Cost of equity	5%	1 point
	Cost of debt	7%	
	% Debt	60%	
	% Equity	40%	

Given the data in the above table, what is the weighted average cost of capital of this company?

- ☐ 4.0%
- ☐ 3.7%
- ☒ 6.2%
- ☐ 5.9%

5.	Which of the following companies has the lowest degree of leverage?	1 point
	<input checked="" type="radio"/> 20% Debt, 80% Equity	
	<input type="radio"/> 90% Debt, 10% Equity	
	<input type="radio"/> 50% Debt, 50% Equity	
	<input type="radio"/> 30% Debt, 70% Equity	

6.	Which of the following statements is correct?	1 point
	<input checked="" type="radio"/> Financial buyers are institutions that provide capital and are not operators.	
	<input type="radio"/> Strategic buyers are asset managers that are trying to time the purchase or sale of a business.	
	<input type="radio"/> Financial buyers are operating partners that try to create synergies.	
	<input type="radio"/> Strategic buyers are institutions that provide capital and are not operators.	

7.	Which of the following is the correct ordering of the capital stack (from most secure to least secure)?	1 point
	<input type="radio"/> Equity → Subordinated debt → Senior debt	
	<input checked="" type="radio"/> Senior debt → Subordinated debt → Equity	
	<input type="radio"/> Subordinated debt → Senior debt → Equity	
	<input type="radio"/> Senior debt → Equity → Subordinated debt	

8.	Which of the following debt repayment profiles involves a growing / accrued interest amount over time?	1 point
	<input checked="" type="radio"/> Pay in kind debt	
	<input type="radio"/> Equity	
	<input type="radio"/> Mezzanine finance	
	<input type="radio"/> Senior Debt	

9.	Which of the following statements about capital structure are correct? Select ALL correct answers.	1 point
	<input checked="" type="checkbox"/> Having too much equity may dilute earnings and the value of the original investors.	
	<input checked="" type="checkbox"/> A company needs to consider the current economic climate when making decisions on debt and equity proportions.	
	<input type="checkbox"/> Having too little debt may increase the risk of default in repayment.	
	<input type="checkbox"/> A company should always finance its business using as much debt as possible in order to optimize the capital structure.	

10.	Which of the following is NOT a form of subordinated debt?	1 point
	<input type="radio"/> Payment-In-Kind Notes	
	<input checked="" type="radio"/> Revolver	
	<input type="radio"/> Vendor Notes	
	<input type="radio"/> High yield bonds	

11.	Which of the following best describes a leveraged buyout fund's acquisitions?	1 point
	<input type="radio"/> Investing in foreign businesses	
	<input checked="" type="radio"/> Investing in mature businesses	
	<input type="radio"/> Investing in mid-sized businesses	
	<input type="radio"/> Investing in early stage businesses	

12.	Which of the following are examples of institutional investors? Select ALL correct answers.	1 point
	<input checked="" type="checkbox"/> Mutual funds	
	<input checked="" type="checkbox"/> Private equity firms	
	<input type="checkbox"/> High net worth individuals	
	<input type="checkbox"/> Companies that are publicly traded on stock exchanges	

13.	Which of the following is not a function of public accounting firms?	1 point
	<input type="radio"/> Transaction Advisory	
	<input checked="" type="radio"/> Financial Planning & Analysis	
	<input type="radio"/> Due diligence	
	<input type="radio"/> Audit	

14.	Which of the following M&A transaction equations is correct?	1 point
	<input type="radio"/> Value created = Stand-alone value + Net synergies – Transaction costs	
	<input type="radio"/> Value created = Consideration (price paid) + Net synergies – Transaction costs	
	<input type="radio"/> Value created = Hard synergies + Soft synergies – Transaction costs	
	<input checked="" type="radio"/> Value created = Stand-alone value + Net synergies – Consideration (price paid)	

15.	What should a company do if it wants to reduce the number of shares outstanding?	1 point
	<input type="radio"/> Pay cash dividends	
	<input type="radio"/> Issue more debt	
	<input type="radio"/> Invest in more projects	
	<input checked="" type="radio"/> Repurchase shares	

