

## Congratulations! You passed!

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1. You are considering two possible marketing campaigns for a new product. The first marketing campaign requires an outlay next year of 2M, and then will pay 0.24M in all subsequent years. The second marketing campaign requires an outlay of 3M next year and then will pay 0.27M in all subsequent years.

0 / 1 point

What is the IRR for the first marketing campaign?

*\*Make sure to input all percentage answers as numeric values without symbols, and use four decimal places of precision. For example, if the answer is 6%, then enter 0.0600.*

 **Incorrect**

2. You are considering two possible marketing campaigns for a new product. The first marketing campaign requires an outlay next year of 2M, and then will pay 0.24M in all subsequent years. The second marketing campaign requires an outlay of 3M next year and then will pay 0.27M in all subsequent years.

0 / 1 point

What is the IRR for the second marketing campaign?

*\*Make sure to input all percentage answers as numeric values without symbols, and use four decimal places of precision. For example, if the answer is 6%, then enter 0.0600.*

 **Incorrect**

3. Suppose you have the following two mutually exclusive projects that you can carry out on the corner of 39th Street and Walnut Street: Build a daycare center or a health spa.

1 / 1 point

Suppose the day care center has the following cash flows: An immediate cash outlay of \$5,000 followed by inflows of \$2500 in each of the next 3 years and zero thereafter.

Suppose the health spa has the following cash flows: An immediate outlay of \$5000 followed by inflows of nothing in year one, \$1000 in year 2 and \$7100 in year 3 and zero thereafter.

Is the IRR for the health spa lower or higher than the IRR for the day care project?

 **Correct**

4. Suppose you have the following two mutually exclusive projects that you can carry out on the corner of 39th Street and Walnut Street: Build a daycare center or a health spa.

1 / 1 point

Suppose the day care center has the following cash flows: An immediate cash outlay of \$5,000 followed by inflows of \$2500 in each of the next 3 years and zero thereafter.

Suppose the health spa has the following cash flows: An immediate outlay of \$5000 followed by inflows of nothing in year one, \$1000 in year 2 and \$7100 in year 3 and zero thereafter.

If you base your investment decision on which investment has the highest NPV, which do you choose when the discount rate is 15%?

 **Correct**

5. Suppose you have the following two mutually exclusive projects that you can carry out on the corner of 39th Street and Walnut Street: Build a daycare center or a health spa.

1 / 1 point

Suppose the day care center has the following cash flows: An immediate cash outlay of \$5,000 followed by inflows of \$2500 in each of the next 3 years and zero thereafter.

Suppose the health spa has the following cash flows: An immediate outlay of \$5000 followed by inflows of nothing in year one, \$1000 in year 2 and \$7100 in year 3 and zero thereafter.

If you base your investment decision on which investment has the highest NPV, which do you choose when the discount rate is 5%?

✓ Correct

6. You are considering the following two mutually exclusive investments:

1 / 1 point

Project	Year 0	Year 1	Year 2
A	-\$80	0	\$120
B	-\$40	\$28	\$28

Which project has the higher NPV if the required rate of return is 5%?

✓ Correct

7. You are considering the following two mutually exclusive investments:

1 / 1 point

Project	Year 0	Year 1	Year 2
A	-\$80	0	\$120
B	-\$40	\$28	\$28

Which project has the higher NPV if the required rate of return is 15%?

✓ Correct

8. You are considering the following two mutually exclusive investments:

1 / 1 point

Project	Year 0	Year 1	Year 2
A	-\$80	0	\$120
B	-\$40	\$28	\$28

Is the IRR of Project B larger or smaller than the IRR of Project A?

✓ Correct

9. TEME is a manufacturer of toy construction equipment. If it pays out all of its earnings as dividends, it will have earnings of 0.3 million per quarter in perpetuity. Suppose that the discount rate, expressed as an effective annual rate (EAR), is 16%. TEME pays dividends quarterly.

1 / 1 point

What is the value of TEME if it continues to pay out all of its earnings as dividends? Assume that the next dividend is paid one quarter from now.

*\*Make sure to input the answer without any currency symbols, commas, and remove M as Million value.*

e.g. 6,000,000 = 6M, so the answer should be written as 6

✓ Correct

10. TEME is a manufacturer of toy construction equipment. If it pays out all of its earnings as dividends, it will have earnings of 0.3 million per quarter in perpetuity. Suppose that the discount rate, expressed as an effective annual rate (EAR), is 16%. TEME pays dividends quarterly.

0 / 1 point

Suppose that TEME is considering a one-time expansion into toy xylophones. It is estimated that this will cost 1M. Assume that this cost will be incurred at the end of the year, one year from now. As a result of expansion, earnings in subsequent quarters (i.e. starting in 1 year and 1 quarter from now) would be 0.05 million higher than without the expansion. Calculate the value of TEME if it undertakes the investment.

*\*Make sure to input the answer without any currency symbols, commas, and remove M as Million value.*

e.g. 6,000,000 = 6M, so the answer should be written as 6

✗ Incorrect