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Note	**26,00** sur 30,00 (**87**%)

Question **1**

Correct

Note de 1,00 sur 1,00

Your great aunt Matilda put some money in an account for you on the day you were born. This account pays 8% interest per year. On your 21st birthday the account balance was $5,033.83.

The amount of money that your great aunt Matilda originally put in the account is closest to:

Veuillez choisir une réponse :

- a. $800
- b. $600
- c. $1,000 ✔
- d. $1,200

Votre réponse est correcte.

La réponse correcte est :
$1,000

Question **2**

Correct

Note de 1,00 sur 1,00

A project that you are considering today is expected to provide benefits worth $168,000 in one year. If the risk-free rate of interest (rf) is 4.5%, then the value of the benefits of this project today are closest to:

Veuillez choisir une réponse :

- a. $175,560

- b. $168,000

- c. $160,766   ✔

- d. $160,440

Votre réponse est correcte.

La réponse correcte est :
$160,766

Question **3**

Correct

Note de 1,00 sur 1,00

Which of the following statements is FALSE?

Veuillez choisir une réponse :

- a. The firm might pay out cash to its shareholders in the form of a dividend.
- b. The dividend yield is the expected annual dividend of a stock, divided by its expected future sale price. ✔
- c. We must discount the cash flows from stock based on the equity cost of capital for the stock.
- d. The divided yield is the percentage return the investor expects to earn from the dividend paid by the stock.

Votre réponse est correcte.

La réponse correcte est :
The dividend yield is the expected annual dividend of a stock, divided by its expected future sale price.

Question **4**

Correct

Note de 1,00 sur 1,00

Nielson Motors has a share price of $25 today. If Nielson Motors is expected to pay a dividend of $0.75 this year, and its stock price is expected to grow to $26.75 at the end of the year, then Nielson's dividend yield and equity cost of capital are:

Veuillez choisir une réponse :

- a. 4.0% and 10.0% respectively.
- b. 3.0% and 10.0% respectively. ✔
- c. 4.0% and 6.0% respectively.
- d. 3.0% and 7.0% respectively.

Votre réponse est correcte.

La réponse correcte est :
3.0% and 10.0% respectively.

Question **5**
Incorrect
Note de 0,00 sur 1,00

Which of the following statements is FALSE?

Veuillez choisir une réponse :

○ a. While the variance and the standard deviation both measure the variability of the returns, the variance is easier to interpret because it is in the same units as the returns themselves.

◉ b. While the variance and the standard deviation are the most common measures of risk, they do not differentiate between upside and downside risk. ✖

○ c. The standard deviation is the square root of the variance.

○ d. Because investors dislike only negative resolutions of uncertainty, alternative measures that focus solely on downside risk have been developed, such as the semi-variance and the expected tail loss.

Votre réponse est incorrecte.

La réponse correcte est :
While the variance and the standard deviation both measure the variability of the returns, the variance is easier to interpret because it is in the same units as the returns themselves.

Question **6**

Correct

Note de 1,00 sur 1,00

Suppose an investment is equally likely to have a 35% return or a -20% return. The standard deviation on the return for this investment is closest to:

Veuillez choisir une réponse :

- a.   27.5%   ✔
- b.   0%
- c.   38.9%
- d.   19.4%

Votre réponse est correcte.

La réponse correcte est :
27.5%

If the risk-free rate of interest (rf) is 6%, then you should be indifferent between receiving $250 today or

Veuillez choisir une réponse :

- a. $235.85 in one year
- b. $265.00 in one year ✔
- c. $250.00 in one year
- d. None of the above

Votre réponse est correcte.

La réponse correcte est :
$265.00 in one year

Question 8

Correct

Note de 1,00 sur 1,00

Suppose you have $1,000 today and the risk-free rate of interest (rf) is 3.5%. The equivalent value in one year is closest to:

Veuillez choisir une réponse :

- a. $966.18 today
- b. $965.00 today.
- c. $1000.00 today
- d. $1035.00 today ✔️

Votre réponse est correcte.

La réponse correcte est :
$1035.00 today

Question **9**
Correct
Note de 1,00 sur 1,00

Which of the following statements is FALSE?

Veuillez choisir une réponse :

○ a. A dollar today and a dollar in one year are not equivalent.

○ b.   If you want to compare or combine cash flows that occur at different points in time, you first need to convert the cash flows into the same units or move them to the same point in time.

◉ c. Finding the present value and compounding are the same. ✔

○ d. The equivalent value of two cash flows at two different points in time is sometimes referred to as the time value of money

Votre réponse est correcte.

La réponse correcte est :
Finding the present value and compounding are the same.

Taggart Transcontinental currently has a bank loan outstanding that requires it to make three annual payments at the end of the next three years of $1,000,000 each. The bank has offered to allow Taggart Transcontinental to skip making the next two payments in lieu of making one large payment at the end of the loan's term in three years. If the interest rate on the loan is 6%, then the final payment that the bank will require to make Taggart Transcontinental indifferent between the two forms of payments is closest to:

Veuillez choisir une réponse :

- a. $3,375,000
- b. $3,000,000
- c. $2,673,000
- d. $3,184,000 ✔

Votre réponse est correcte.

La réponse correcte est :
$3,184,000

Risk and Return: Insights from Years of Investor History. Which of the following investments offered the lowest overall return over the past eighty years?

Veuillez choisir une réponse :

- a. S&P 500
- b. Small stocks
- c. Treasury Bills ✔️
- d. Corporate bonds

Votre réponse est correcte.

La réponse correcte est :
Treasury Bills

NoGrowth industries presently pays an annual dividend of $1.50 per share and it is expected that these dividend payments will continue indefinitely. If NoGrowth's equity cost of capital is 12%, then the value of a share of NoGrowth's stock is closest to:

Veuillez choisir une réponse :

- a. $12.50   ✔
- b. $15.00
- c. $10.00
- d. $14.00

Votre réponse est correcte.

La réponse correcte est :
$12.50

Assume that you purchased General Electric Company stock at the closing price on December 31, 2008 and sold it after the dividend had been paid at the closing price on January 26, 2009. Your capital gains rate (yield) for this period is closest to:

Veuillez choisir une réponse :

- a.   0.70%
- b.   0.75%
- c.   -8.15%   ✖
- d.   -8.80%

Votre réponse est incorrecte.

La réponse correcte est :
-8.80%

Sarah Palin reportedly was paid a $11 million advance to write her book Going Rogue. The book took one year to write. In the time she spent writing, Palin could have been paid to give speeches and appear on TV news as a political commentator. Given her popularity, assume that she could have earned $8 million over the year (paid at the end of the year) she spent writing the book. Assume that she was unable to fulfill her media commitments of appearing on TV news as a political commentator or give speeches.while she was writing the book.

Assuming that Palin's cost of capital is 10%, then the NPV of her book deal is closest to:

Veuillez choisir une réponse :
- a. $2.00 million
- b. $2.20 million
- c. $3.75 million ✔
- d. $3.00 million

Votre réponse est correcte.

La réponse correcte est :
$3.75 million

Suppose you have $500 today and the risk-free interest rate (rf) is 5%. The equivalent value in one year is closest to:

Veuillez choisir une réponse :

- a. $500
- b. $525 ✔
- c. $475
- d. $476

Votre réponse est correcte.

Les réponses correctes sont :
$500,

$525

Question **16**

Correct

Note de 1,00 sur 1,00

Which of the following statements is FALSE?

Veuillez choisir une réponse :

- ○ a. The variance increases with the magnitude of the deviations from the mean.
- ◉ b. If the return is riskless and never deviates from its mean, the variance is equal to one. ✔
- ○ c. Two common measures of the risk of a probability distribution are its variance and standard deviation.
- ○ d. The variance is the expected squared deviation from the mean.

Votre réponse est correcte.

La réponse correcte est :
If the return is riskless and never deviates from its mean, the variance is equal to one.

Rearden Metals has a current stock price of $30 share, is expected to pay a dividend of $1.20 in one year, and its expected price right after paying that dividend is $33.

Rearden's expected dividend yield is closest to:

Veuillez choisir une réponse :

- a. 4.00% ✔
- b. 4.20%
- c. 3.40%
- d. 3.65%

Votre réponse est correcte.

La réponse correcte est :
4.00%

Rearden Metals has a current stock price of $30 share, is expected to pay a dividend of $1.20 in one year, and its expected price right after paying that dividend is $33.Rearden's equity cost of capital is closest to:

Veuillez choisir une réponse :

- a. 6.4%
- b. 4.0%
- c. 8.2%
- d. 14.0% ✔️

Votre réponse est correcte.

La réponse correcte est :
14.0%

Suppose an investment is equally likely to have a 35% return or a - 20% return. The variance on the return for this investment is closest to:

Veuillez choisir une réponse :

- a. 0.075 ✔
- b. 0.0378
- c. 0.151
- d. 0

Votre réponse est correcte.

La réponse correcte est :
0.075

Question **20**

Incorrect

Note de 0,00 sur 1,00

Which of the following statements is FALSE?

Veuillez choisir une réponse :

○ a. The IRR investment rule will identify the correct decision in many, but not all, situations.

○ b. By setting the NPV equal to zero and solving for r, we find the IRR.

○ c. The simplest investment rule is the NPV investment rule.

◉ d. If you are unsure of your cost of capital estimate, it is important to determine how sensitive your analysis is to errors in this estimate. ✖

Votre réponse est incorrecte.

La réponse correcte est :
The simplest investment rule is the NPV investment rule.

Which of the following statements is FALSE?

Veuillez choisir une réponse :

- a. The effect of earning interest on interest is known as compound interest.
- b. It is only possible to compare or combine values at the same point in time.
- c. A dollar in the future is worth more than a dollar today. ✔
- d. The process of moving a value or cash flow forward in time is known as compounding.

Votre réponse est correcte.

La réponse correcte est :
A dollar in the future is worth more than a dollar today.

At an annual interest rate of 7%, the future value of $5,000 in five years is closest to:

Veuillez choisir une réponse :

- a. $3,565
- b. $7,035
- c. $7,015 ✔
- d. $6,750

Votre réponse est correcte.

La réponse correcte est :
$7,015

Question **23**

Correct

Note de 1,00 sur 1,00

If the risk-free rate of interest (rf) is 3.5%, then you should be indifferent between receiving $1000 in one-year or:

Veuillez choisir une réponse :

- a. $1035.00 today
- b. $965.00 today
- c. $966.18 today ✔
- d. $1000.00 today

Votre réponse est correcte.

La réponse correcte est :
$966.18 today

When discounting dividends you should use:

Veuillez choisir une réponse :

- a.   the weighted average cost of capital.
- b.   the before tax cost of debt.
- c.   the after tax weighted average cost of capital.
- d.   the equity cost of capital. ✔

Votre réponse est correcte.

La réponse correcte est :
 the equity cost of capital.

Which of the following statements is FALSE?

Veuillez choisir une réponse :

- a. When an investment is risky, there are different returns it may earn.
- b. In finance, the variance of a return is also referred to as its volatility. ✔
- c. The variance is a measure of how "spread out" the distribution of the return is.
- d. The expected or mean return is calculated as a weighted average of the possible returns, where the weights correspond to the probabilities.

Votre réponse est correcte.

La réponse correcte est :
In finance, the variance of a return is also referred to as its volatility.

Which of the following statements is FALSE?

Veuillez choisir une réponse :

○ a. An investor might generate cash by choosing to sell the shares at some future date.

○ b. An investor will be willing to pay a price today for a share of stock up to the point that this transaction has a zero NPV.

◉ c. Because the cash flows from stock are known with certainty, we can discount them using the risk-free interest rate. ✔

○ d. There are two potential sources of cash flows from owning a stock.

Votre réponse est correcte.

La réponse correcte est :
Because the cash flows from stock are known with certainty, we can discount them using the risk-free interest rate.

A project you are considering is expected to provide benefits worth $225,000 in one year. If the risk-free rate of interest (rf) is 8%, then the value of the benefits of this project today are closest to:

Veuillez choisir une réponse :

- ○ a. $243,000
- ◉ b. $208,333 ✔
- ○ c. $225,000
- ○ d. $190,333

Votre réponse est correcte.

La réponse correcte est :
$208,333

Question **28**

Correct

Note de 1,00 sur 1,00

Larry the Cucumber has been offered $14 million to star in the lead role of the next three Larry Boy adventure movies. If Larry takes this offer, he will have to forgo acting in other Veggie movies that would pay him $5 million at the end of each of the next three years. Assume Larry's personal cost of capital is 10% per year.

15) The NPV of Larry's three movie Larry Boy offer is closest to:

Veuillez choisir une réponse :

- ⊙ a. 1.6 million ✔
- ○ b. 3.5 million
- ○ c. -1.6 million
- ○ d. -1.0 million

Votre réponse est correcte.

La réponse correcte est :
 1.6 million

Rearden Metals has a current stock price of $30 share, is expected to pay a dividend of $1.20 in one year, and its expected price right after paying that dividend is $33.

Rearden's expected capital gains yield is closest to:

Veuillez choisir une réponse :

- a. 4.0%
- b. 10.0% ✔
- c. 8.2%
- d. 6.4%

Votre réponse est correcte.

La réponse correcte est :
10.0%

Assume that you purchased General Electric Company stock at the closing price on December 31, 2008 and sold it after the dividend had been paid at the closing price on January 26, 2009. Your total return rate (yield) for this period is closest to:

Veuillez choisir une réponse :

- a.   -8.15%
- b.   -8.80%   ✖
- c.   0.75%
- d.   0.70%

Votre réponse est incorrecte.

La réponse correcte est :
-8.15%

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