Lesson #9 Quiz
Graded Quiz • 30 min
Due Nov 23, 4:59 PM +09
Congratulations! You passed!
TO PASS 80% or higher

Keep Learning

GRADE

100%

Lesson #9 Quiz

LATEST SUBMISSION GRADE

100%

1.
Question 1
Market capitalization is calculated by using:

1 / 1 point

The earnings of a company.

The price per share and the total number of outstanding shares.

The total number of employee of a company.

The dividends of a company.

Correct

Market capitalization is simply the product of these two quantities.

2.

Question 2

The greater an investor’s ownership in a corporation is, the greater:

1 / 1 point

is the total number of shares he/she owns with respect to the total number of shares outstanding.

is the amount of taxes to be paid by the company.

is the total number of shares he/she owns.

is the profitability of the company.

Correct

3.

Question 3

A firm must make its dividend payments to __________ before it makes any dividend payments to its ___________.

1 / 1 point

the members of the board

bondholders

preferred shareholders

common shareholders

bondholders

preferred shareholders

its Chief Executive Officer

preferred shareholders

Correct

4.

Question 4

The basic corporate charter: (check all that apply)

1 / 1 point

does not say that the firm ever has to raise debt. The board decides.

Correct

says that the firm must pay dividends during its lifetime.

says that the firm must repurchase some of its shares beyond a certain threshold of issuance.

does not say that the firm ever has to issue warrants, convertible debt or any other debt securities.

Correct

5.

Question 5

In the Pecking Order Theory, the companies prioritize their sources of financing in the following order:

1 / 1 point

(1) Debt, (2) Internal financing, (3) Equity.

(1) Internal financing, (2) debt issuance, (3) Equity.

(1) Equity, (2) Debt issuance, (3) Internal financing.

(1) Equity, (2) Internal financing, (3) Debt.

Correct

6.

Question 6

A dilution is:

1 / 1 point

A reduction in the ownership percentage of a share of stock caused by the issuance of new shares.

A sale of an investor’s shares.

The issuance of new debt by a company.

An increase in the ownership percentage of a share of stock caused by the issuance of new shares.

Correct

7.

Question 7

A share repurchase is: (check all that apply)

1 / 1 point

The reverse of a dilution.

Correct

An alternative to paying dividends in order to return cash to investors.

Correct

A program by which investors buy back their previously sold shares of a given company.

A program by which a company buys backs its own shares from the marketplace or from its shareholders (at a fixed price).

Correct

8.

Question 8

The price-to-earnings ratio: (check all that apply)

1 / 1 point

Effectively shows the number of years of earnings at which the company is valued given the current level of the share price.

Correct

Shows how much an investor is willing to pay for the stock of the company for each dollar of the company’s earnings.

Correct

Measures the funds provided by creditors versus the funds provided by owners.

Indicates the percentage of profit that is paid out as dividends.

9.

Question 9

Generally, a reduction in dividend is interpreted by investors as:

1 / 1 point

Good news, with often an increase of the stock price.

A sign of future increase in profitability.

Bad news, with often a drop in the stock price.

A non-event.

Correct

Usually dividend cuts or omissions are bad news, because investors infer trouble