Q-1. When computing the cash flows for a capital project, which of the following is most likely to be excluded?

A. Externality

B. Sunk costs

C. Tax

Q-2. A project has a cost of €16,253 with a net present value (NPV) of €423.11. The corresponding profitability index (PI) is most likely:

A. 0.03.

B. 1.42.

C. 1.03.

Q-3. Printing company will invest $10 million in new printing machine. The present value of the future after-tax cash flows resulting from the new machine is $30 million. Fullen currently has 180 million shares of common stock outstanding, with a current market price of $12 per share. Assuming that this project is new and independent about the company, what is the effect of the new equipment on Fullen's stock price? The stock price will:

A. increase to $12.16.

B. increase to $12.11.

C. decrease to $11.89.

Q-4. Which of the following is the least appropriate method for an external analyst to estimate a company's target capital structure for determining WACC? Using the:

A. averages of comparable companies' capital structure.

B. company's current capital structure, at book value weights.

C. statements made by the company's management regarding capital structure policy.

Q-5. A company issues new 20-year $1,000 bonds with a coupon rate of 6.2% payable semiannually at an issue price of $1,030.34. Assuming a tax rate of 28%, the firm's annual after-tax cost of debt (%) is closest to:

A. 5.94.

B. 4.28.

C. 4.46.