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FINC311: FINANCIAL MANAGEMENT II

LEC-T2-23-01: Apr. 3, 2023 - Jun. 24, 2023

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Started on	Monday, 19 June 2023, 10:53 PM
State	Finished
Completed on	Tuesday, 20 June 2023, 12:23 AM
Time taken	1 hour 30 mins
Grade	**0.00** out of 40.00 (**0**%)

Question 1
Not answered
Marked out of 2.00

Calculate the NPV of a 10-year project with a cost of $400,000 and annual cash flows of $35,000 in years 1-10. The company's required rate of return is 10%.

a. $33,547
b. $215,060
c. $18,547
d. $15,060

Your answer is incorrect.

The correct answer is:
$15,060

Question 2

Not answered

Marked out of 2.00

You are considering a project that costs $300 and has expected cash flows of $110, $121, and $133.10 over the next three years. If the appropriate discount rate for the project's cash flows is 10%, what is the net present value of this project?

- a. $19.79
- b. $64.10
- c. $-8.58
- d. $0.00

Your answer is incorrect.

The correct answer is:
$0.00

Question 3

Not answered

Marked out of 2.00

A project costs $12,500 to initiate. Cash flows are estimated as $2,500 a year for the first two years and $3,100 a year for the next three years. The discount rate is 11.25%. The net present value for this project is _____ and the internal rate of return is _________ the discount rate.

- a. $1,800.00; more than
- b. -$2,138.52; more than
- c. $1,800.00; less than
- d. -$2,138.52; less than

Your answer is incorrect.

The correct answer is:
-$2,138.52; less than

Question 4

Not answered

Marked out of 2.00

You are considering a project with an initial cost of $27,900. What is the payback period for this project if the cash inflows are $14,650, $16,190, $12,480, and $9,500 a year over the next four years, respectively?

- a. 1.75 years
- b. 0.85 years
- c. 1.82 years
- d. 1.92 years

Your answer is incorrect.

The correct answer is:
1.82 years

Question 5

Not answered

Marked out of 2.00

The discounted payback period of a project:

- a. Favours long-term projects over short-run projects
- b. Has all the weaknesses of payback period as a capital budgeting tool
- c. Is shorter than payback period if discount rate is a positive number
- d. Is longer than payback period if discount rate is a positive number

Your answer is incorrect.

The correct answer is:
Is longer than payback period if discount rate is a positive number

Question 6

Not answered

Marked out of 2.00

The following four-year project has an initial cost of $1,000,000. The future cash inflows for the next four years are $600,000, $500,000, $400,000, and $400,000, respectively. If the rate of return is 12%, determine the discounted payback period for this project.

- a. 1.74 years
- b. 1.44 years
- c. 2.74 years
- d. 2.23 year

Your answer is incorrect.

The correct answer is:
2.23 year

Question 7

Not answered

Marked out of 2.00

The ABC Co. is considering the purchase of a $249,000 piece of equipment. This equipment is expected to produce cash flows of $78,500, $149,000, and $80,000 over the next three years. The internal rate of return on this equipment is:

- a. 11.26%
- b. 15.23%
- c. 23.49%
- d. 12.50%

Your answer is incorrect.

The correct answer is:
11.26%

Question 8

Not answered

Marked out of 2.00

ABC Corporation purchased an asset costing $450,000. The asset has an 8-year life, a $50,000 salvage value, and is depreciated on a straight line method. During the past four years, ABC posted net income of $98,000, $112,000, $134,000 and $122,000. Given the following information, calculate the company's average accounting return over the past four years.

- a. 35.85%
- b. 30.15%
- c. 20.15%
- d. 25.85%

Your answer is incorrect.

The correct answer is:
35.85%

Question 9

Not answered

Marked out of 2.00

A project has an initial investment of $95,000. Its cash inflows are estimated to be $21,000 in year 1, $23,000 in year 2, $25,000 in year 3, and $27,000 in year 4. If the rate of return is 8%, calculate the project's Profitability Index.

- a. 1.53
- b. 1.83
- c. 0.53
- d. 0.83

Your answer is incorrect.

The correct answer is:
0.83

Question 10

Not answered

Marked out of 2.00

The ABC Co. is considering the purchase of a $249,000 piece of equipment. This equipment is expected to produce cash flows of $78,500, $149,000, and $80,000 over the next three years. If the company required rate return is 5%, what is th modified internal rate of return on this equipment?

- a. 10%
- b. 9.88%
- c. 9.06%
- d. 11.26%

Your answer is incorrect.

The correct answer is:
9.06%

Question 11

Not answered

Marked out of 10.00

Room Inc. has issued bonds, common and preferred shares to raise capital and invest in R&D. Currently the preferred shares have a price of $40 per share and have consistently provided a $2 per share dividend. There are 50,000 preferred shares outstanding. The company also has 50,000 common shares outstanding with a stock price of $70 per share. The company's [illegible]

outstanding, and it has a 20% tax rate. Given this information, calculated the company's WACC

Question 12

Not answered

Marked out of 10.00

Room Inc. has 50,000 common shares, and the company is expected to generate free cash flow $370,000 in 2024, $380,000 in 2025, $320,000 in 2026, $350,000 in 2027 and $400,000 in 2028. The company's free cash flow will continue growing by 3% after 2028, and the company's WACC is 10%. Given that the company has $125,000 in debt and $50,000 in cash, what is the company's enterprise value, total equity value and per-share value?