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| **Chapter 9 Review Questions** |

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| 1. Financial managers emphasize the goal of maximizing the market price of stock because: |
| 2. Garry, a financial manager at AtoZ technologies, wants to know when his firm will need to arrange for short-term financing and when the firm is likely to have surplus cash available to pay off loans or to invest in short-term liquid assets. These concerns suggest that Garry would want to develop a \_\_\_\_\_. |
| 3. Which of the following statements is true of current ratio? |
| 4. In the context of liquidity ratios, a firm's \_\_\_\_\_ are the debts that must be repaid in the following year. |
| 5. \_\_\_\_\_ forecasts the types and amounts of assets a firm will need to implement its future plans and help financial managers determine the amount of additional financing the firm must arrange in order to acquire those assets. |
| 6. Maurio Pena, a petroleum company, needs to pay $2 million to Zaiten Inc. Maurio Pena sells its old assets to another company and obtains enough money to pay its debt. In this scenario, Maurio Pena's ability to sell its old assets to another company in order to pay its debt to Zaiten is measured by analyzing \_\_\_\_\_. |
| 7. Which of the following statements is true of trade credit? |
| 8. Which of the following is a similarity between angel investors and venture capitalists? |
| 9. Merith Qin, a textile company, relies on self-funding in order to sustain the promotion of its new product in the market. The company sold its newly issued stock and was able to amass a sizable amount of money to invest. Which of the following sources of long-term funds is being used by Merith Qin in the given scenario? |
| 10. Vironi Mave, a designer clothing company, wants to hire fashion designers to start a new clothing line for men. To obtain funds for the project, Vironi Mave issues several formal IOUs to sell them to its investors, with a maturation period of ten years. Which of the following sources of long-term funds is being used by Vironi Mave in the given scenario? |
| 11. Delventon Bank offers loans to multinational corporations which can be returned over an extended period along with interest. The bank issues such loans in the form of bonds. Which of the following financing options is being offered by Delventon Bank in the given scenario? |
| 12. The main disadvantage of financial leverage is that: |
| 13. Pro Corp. and Darths Inc. are two companies that are identical in every aspect except for the fact that Pro only uses equity financing, while Darths relies heavily on debt financing. Over the past year, the firms had identical earnings before interest and taxes. If net income for both firms is high, \_\_\_\_\_. |
| 14. Which of the following statements best describes a money market mutual fund? |
| 15. The time value of money reflects the fact that: |