Some questions:

Question 1 of 15
If the Wall Street Journal Quotation for a company has the following values close: 55.14; Net chg: = + 1.04; then the closing price for the stock for the previous trading day was?

A. $56.18

B. $54.10

C. $55.66

D. None of the above.

Question 2 of 15
The value of a common stock today depends on:

A. Number of shares outstanding and the number of shareholders

B. The expected future dividends and the discount rate

C. The Wall Street analysts

D. Present value of the future earnings per share

Question 3 of 15
Company X has a P/E ratio of 10 and a stock price of $50 per share. Calculate earnings per share of the company.

A. $6 per share

B. $10 per share

C. $0.20 per share

D. $5 per share

Question 4 of 15
Which of the following stocks is/are a growth stock(s)?

A. Unilever

B. Cummins, Inc

C. Starbucks

D. All of the above are growth stocks

Question 5 of 15
Universal Air is a no growth firm and has two million shares outstanding. It is expected to earn a constant 20 million per year on its assets. If all earnings are paid out as dividends and the cost of capital is 10%, calculate the current price per share for the stock.

A. $200

B. $150

C. $100

D. $50

Question 6 of 15
Which of the following investment rules does not use the time value of the money concept?

A. Net present value

B. Internal rate of return

C. The payback period

D. All of the above use the time value concept

Question 7 of 15
The following are measures used by firms when making capital budgeting decisions except:

A. Payback period

B. Internal rate of return

C. P/E ratio

D. Net present value

Question 8 of 15
Which of the following investment rules has value adding-up property?

A. The payback period method

B. Net present value method

C. The book rate of return method

D. The internal rate of return method

Question 9 of 15
Internal rate of return (IRR) method is also called:

A. Discounted payback period method

B. Discounted cash-flow (DCF) rate of return method

C. Modified internal rate of return (MIRR) method

D. None of the above

Question 10 of 15
Profitability index is the ratio of:

A. Future value of cash flows to investment

B. Net present value of cash flows to investment

C. Net present value of cash flows to IRR

D. Present value of cash flows to IRR

Question 11 of 15
When a firm has the opportunity to add a project that will utilize excess factory capacity (that is currently not being used), which costs should be used to determine if the added project should be undertaken?

A. Opportunity cost

B. Sunk cost

C. Incremental costs

D. None of the above

Question 12 of 15
The cost of a resource that may be relevant to an investment decision even when no cash changes hand is called a (an):

A. Sunk cost

B. Opportunity cost

C. Working capital

D. None of the above

Question 13 of 15
Net Working Capital should be considered in project cash flows because:

A. Firms must invest cash in short-term assets to produce finished goods

B. They are sunk costs

C. Firms need positive NPV projects for investment

D. None of the above

Question 14 of 15
If the discount rate is stated in nominal terms, then in order to calculate the NPV in a consistent manner requires that project:
I) cash flows be estimated in nominal terms
II) cash flows be estimated in real terms
III) accounting income be used

A. I only

B. II only

C. III only

D. None of the above

Question 15 of 15
For example, in the case of an electric car project, which of the following cash flows should be treated as incremental flows when deciding whether to go ahead with the project?

A. The cost of research and development undertaken for developing the electric car in the past three years

B. The annual depreciation charge

C. Tax savings resulting from the depreciation charges

D. Dividend payments