**Multiple Choice -**

1.       Which of the following ratios would tell an investor about the profitability of the organization?

a.       Acid test ratio

b.      Debt ratio

c.       Return on equity

d.      Times interest earned

e.       Current ratio

2.       If your revenue is $10 million, your variable cost is $6 million, your fixed cost is $3 million, what is your contribution margin?

a.       $4 million

b.      $1 million

c.       $3 million

d.      $9 million

e.       $7 million

3.       Net present value is the preferred method to evaluate capital budgeting projects because:

a.       It requires detailed long term forecasts of cash flows

b.      It is sensitive to the choice of discount rate

c.       It ignores the time value of money

d.      It is consistent with the goal of shareholder wealth maximization

e.       It is difficult to explain

4.       What is a “good” reason for a firm to go public?

a.       Private equity investors get to share new wealth with public investors

b.      Founders share, on an equal footing, the good (and bad) fortune of the firm with new

Shareholders

c.       The firm gains future access to the public capital market (it is easier to go back a

Second and/or third time)

d.      Everyone involved faces legal liability

e.       Private investors lose a degree of control of the organization

**Short Answer section of exam –**

**Please limit your response to each question to 350 words.**

**1. In the discipline of Finance, discuss the difference between forecasting and budgeting.**

**2. Choose one of the below listed financial professions and discuss the role it plays as it relates to corporate finance.**

**A Banking**

**B Financial managers**

**1)       Chief Financial Officer (CFO)**

**2)       Treasurer**

**3)       Controller**

**C Financial planners**

**D Securities analysts**

**E Investment bankers**

**F Stock brokers**