\*Please show the calculation formular!!!!!

1. Key differences between common stock and bonds include all of the following EXCEPT

A) common stockholders have a voice in management; bondholders do not.

B) common stockholders have a senior claim on assets and income relative to bondholders.

C) bonds have a stated maturity but stock does not.

D) interest paid to bondholders is generally necessary but dividends paid to stockholders are not.

2. The \_\_\_\_\_\_\_\_ provides a financial summary of the firm’s operating results during a specified period.

A) income statement

B) balance sheet

C) statement of cash flows

D) statement of retained earnings

A firm had the following accounts and financial data for 2005:



3. The firm’s earnings per share, rounded to the nearest cent, for 2005 was \_\_\_\_\_\_\_\_.

A) $0.5335

B) $0.5125

C) $0.3204

D) $0.3024

4. The primary goal of the financial manager is

A) minimizing risk.

B) maximizing profit.

C) maximizing wealth.

D) minimizing return.

5. The \_\_\_\_\_\_\_\_ measures the overall effectiveness of management in generating profits with its available assets.

A) net profit margin

B) price/earnings ratio

C) return on equity

D) return on total assets

6. Cash flows directly related to production and sale of the firm’s products and services are called

A) operating flows.

B) investment flows.

C) financing flows.

D) none of the above.

7. The cash flows from operating activities section of the statement of cash flows considers

A) interest expense.

B) cost of raw materials.

C) dividends paid.

D) stock repurchases.

8. To pay for her college education, Gina is saving $2,000 at the beginning of each year for the next eight years in a bank account paying 12 percent interest. How much will Gina have in that account at the end of 8th year?

A) $16,000

B) $17,920

C) $24,600

D) $27,552

9. $1,200 is received at the beginning of year 1, $2,200 is received at the beginning of year 2, and $3,300 is received at the beginning of year 3. If these cash flows are deposited at 12 percent, their combined future value at the end of year 3 is \_\_\_\_\_\_\_\_.

A) $ 6,700

B) $17,000

C) $12,510

D) $ 8,141

10. Risk aversion is the behavior exhibited by managers who require a (n) \_\_\_\_\_\_\_\_.

A) increase in return, for a given decrease in risk

B) increase in return, for a given increase in risk

C) decrease in return, for a given increase in risk

D) decrease in return, for a given decrease in risk

11. Combining negatively correlated assets having the same expected return results in a portfolio with \_\_\_\_\_\_\_\_ level of expected return and \_\_\_\_\_\_\_\_ level of risk.

A) a higher; a lower

B) the same; a higher

C) the same; a lower

D) a lower; a higher

12. The \_\_\_\_\_\_\_\_ has/have the ultimate responsibility in guiding corporate affairs and carrying out policies.

A) board of directors

B) chief executive officer

C) stockholders

D) creditors

13. As the interest rate increases for any given period, the future value interest factor will

A) decrease.

B) increase.

C) remain unchanged.

D) move toward 1.

14. The higher an asset’s beta,

A) the more responsive it is to changing market returns.

B) the less responsive it is to changing market returns.

C) the higher the expected return will be in a down market.

D) the lower the expected return will be in an up market.

15. Consider the following returns and yields: U.S. T-bill = 8%, 5-year U.S. T-note = 7%, IBM common stock = 15%, IBM AAA Corporate Bond = 12% and 10-year U.S. T-bond = 6%. Based on this information, the shape of the yield curve is

A) upward sloping.

B) downward sloping.

C) flat.

D) normal.

16. \_\_\_\_\_\_\_ allow the holder to purchase a certain number of shares of the firm’s common stock at a specified price over a certain period of time and are occasionally part of a debt agreement.

A) Rights

B) Stock-purchase warrants

C) Calls

D) Puts