Which of the following statements is not true regarding the goal of financial management?

       The goal of maximizing the value per share of existing stock is relevant to all organizations.
       A way of aligning management goals to shareholder’s interest is to tie managerial compensation to the market value of the firm’s stock.
       For a company considering international operations, the goal will be the same but the company will have to consider the local social, economical and political environment in the decision-making process.
       All of the above are true.

**2.**  Market value is important to the financial manager because:
       It reflects the value of the asset based on generally-accepted accounting principles.
       Is a crucial component of the balance sheet and can impact the financial statements.
       Market values reflect the amount someone is willing to pay today for an asset.
       The market value of an asset reflects its historical cost.

**3.** For this question, use the information for Sports Baseballs, Inc. Sports Baseballs, Inc. is a corporation that manufacturers and sells baseballs across several states in the Southeast. It had sales of $2.7 million during the last year. Expenses were as follows:
Cost of goods sold...............................          $1.2 million
Administrative expenses........................          $250,000
Marketing and selling expenses...............          $175,000
Depreciation........................................          $500,000
Interest expense..................................          $200,000
Dividends paid.....................................           $150,000

 Suppose that Sports Baseball has 30,000 shares of stock. Assume a tax rate of 30%. What is the EPS figure?

       8.50
       8.75
       9.0
       9.15

**4.** For this question, use the information for Sports Baseballs, Inc. Sports Baseballs, Inc. is a corporation that manufacturers and sells baseballs across several states in the Southeast. It had sales of $2.7 million during the last year. Expenses were as follows:
Cost of goods sold...............................          $1.2 million
Administrative expenses........................          $250,000
Marketing and selling expenses...............          $175,000
Depreciation........................................          $500,000
Interest expense..................................          $200,000
Dividends paid.....................................           $150,000

Assuming a tax rate of 30%, what is the operating cash flow for the year?

       $1,260,000
       $962,000
       $962,500
       $1,265,000
       Can not be determined with the information given

**5.** For this question, use the information for Sports Baseballs, Inc. Sports Baseballs, Inc. is a corporation that manufacturers and sells baseballs across several states in the Southeast. It had sales of $2.7 million during the last year. Expenses were as follows:
Cost of goods sold...............................          $1.2 million
Administrative expenses........................          $250,000
Marketing and selling expenses...............          $175,000
Depreciation........................................          $500,000
Interest expense..................................          $200,000
Dividends paid.....................................           $150,000

Select all items that will be included in Sports Baseballs, Inc. Balance Sheet. For this exercise you will be choosing more than one option for your answer:

       Accounts receivable
       Cost of goods sold
       Net working capital
       Interest expense
       Taxes
       Current assets
       Notes payable
       Cash on hand
       Consulting revenues

**6.**  Which one of the following activities best exemplify capital budgeting.  For this exercise you will be choosing more than one option for your answer:

       Identify three good investment opportunities for the firm.
       Obtain a short-term loan to purchase materials.
       Evaluate the level of risk of a project.
       Sale long-term bonds to raise funds.
       Determine the return of a potential project.

**7.**  Match the following terms with the examples as appropriate

**Matching:**

|  |  |  |
| --- | --- | --- |
| **Answer** |  | **Potential Matches:** |
| : Insider trading  |          | 1: McDonald's work to redesign packaging items with recyclable materials. 2: Microsoft's monopolistic behavior.3: Martha Stewart's sale of ImClone stock as result of information provided by the company's CEO before an announcement was made public that significantly decrease ImClone's stock price. 4: Parmalat's deliberate fraudulent accounting practices. 5: established an oversight board responsible for improving auditing standards within companies. |
| : Social responsibility  |          |
| : Sarbanes-Oxley Act  |          |
| : Fraud  |          |
| : Antitrust case  |          |

**8.**  Which incentives do managers have to act in the stockholder's interest? Name two and explain each in one or two sentences.