

科目：財務管理

適用：財金系

編號：262

考生注意：

1. 依次序作答，只要標明題號，不必抄題。
2. 答案必須寫在答案卷上，否則不予計分。
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I. 單選題 (4% for each question, Total 100%):

1. Which of the following is not an item added back to income in the operations section of the statement of cash flows when using the indirect presentation?
 - (A) Depreciation
 - (B) Amortization of goodwill
 - (C) Increase in deferred income taxes
 - (D) Amortization of bond premium
 - (E) Amortization of patents
2. Which of the following is not a true statement regarding stock options?
 - (A) They may cause dilution of earnings per share.
 - (B) They generally allow the purchase of common stock at favorable terms.
 - (C) They involve a compensation expense.
 - (D) Exercise improves the short-term liquidity and debt position of the issuing firm.
 - (E) The potential dilution can be disregarded in financial analysis.
3. If a firm has substantial capital or financing leases disclosed in the notes but not capitalized in the financial statements, then:
 - (A) the times interest earned ratio will be overstated, based upon the financial statements.
 - (B) the fixed charge ratio will be overstated, based upon the financial statements.
 - (C) the debt ratio will be understated.
 - (D) the working capital will be understated.
 - (E) None of the answers are correct.
4. Company A uses LIFO and Company B uses FIFO for inventory valuation. Otherwise, the firms are of similar size and have the same revenue and expense. Assume inflation. In analyzing liquidity and profitability of the two firms, which of the following will hold true?
 - (A) It is impossible to compare two firms with different inventory methods.
 - (B) Company B will have relatively higher profit and higher inventory turnover.
 - (C) Company B will have relatively higher profit and lower inventory turnover.
 - (D) Company A will have a higher current ratio and acid test ratio, with the same profit.
 - (E) Company B will have relatively higher profit and a higher current ratio.
5. Which of the following would be classified as an extraordinary item on the income statement?
 - (A) Loss from a strike
 - (B) Correction of an error related to a prior period
 - (C) Write-off of obsolete inventory
 - (D) Loss on disposal of a segment of business
 - (E) Loss from prohibition of a product
6. Which of the following is not true relating to treasury stock?
 - (A) A firm creates treasury stock when it repurchases its own stock and does not retire it.
 - (B) Treasury stock lowers the stock outstanding.
 - (C) Treasury stock may be recorded at the cost of the stock.
 - (D) Treasury stock may be recorded at par or stated value.
 - (E) Treasury stock is, in essence, an increase in paid-in capital.

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7. Which of the following is not true about a stock dividend?
- (A) With a stock dividend, the firm issues a percentage of outstanding stock as new shares to existing shareholders.
 - (B) The overall effect of a stock dividend is to leave total stockholders' equity and each owner's share of stockholders' equity unchanged.
 - (C) In theory, with a stock dividend, total market value considering all outstanding shares should not change.
 - (D) Since the number of shares changes under a stock dividend, any ratio based on the number of shares must be restated.
 - (E) The accounting for a stock dividend, assuming the distribution is relatively small, requires that the par value of the stock be removed from retained earnings.
8. Which of the following statements is FALSE?
- (A) Problems can arise using the IRR method when the mutually exclusive investments have different cash flow patterns.
 - (B) When a manager must choose among mutually exclusive investments, the NPV rule provides a straightforward answer.
 - (C) When using the incremental IRR rule, you must keep track of which project is the incremental project and ensure that the incremental cash flows are initially positive and then become negative.
 - (D) Although the incremental IRR rule can provide a reliable method for choosing among projects, it can be difficult to apply correctly.
 - (E) Problems arise using the IRR method when the mutually exclusive investments have differences in scale.
9. Which of the following statements is FALSE?
- (A) Depreciation expenses have a positive impact on free cash flow.
 - (B) $\text{Free Cash Flow} = (\text{Revenues} - \text{Costs} - \text{Depreciation}) \times (1 - \tau_c) - \text{Capital Expenditures} - \Delta\text{NWC} + \tau_c \times \text{Depreciation}.$
 - (C) The terminal of continuation value of the project represents the market value (as of the last forecast period) of the free cash flow from the project at all future dates.
 - (D) To evaluate a capital budgeting decision, we must determine its consequences for the firm's available cash.
 - (E) None of the above statements.
10. Which of the following statements is FALSE?
- (A) A common approximation is to assume that in the long run, dividends will grow at a constant rate.
 - (B) The dividend each year is the firm's earnings per share (EPS) multiplied by its dividend payout rate.
 - (C) Total return equals earnings multiplied by the dividend payout rate.
 - (D) Cutting the firm's dividend to increase investment will raise the stock price if, and only if, the new investments have a positive NPV.
 - (E) The dividend discount model values the stock based on a forecast of the future dividends paid to shareholders.

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11. Assuming that your capital is constrained, so that you only have \$600,000 available to invest in projects, which projects should you invest in and in what order?

Project	Investment	NPV
A	135,000	6,000
B	200,000	30,000
C	125,000	20,000
D	150,000	2,000
E	175,000	10,000
F	75,000	10,000
G	80,000	9,000
H	200,000	20,000
I	50,000	4,000

- (A) CBFH
- (B) CBGF
- (C) BCFG
- (D) CBFG
- (E) BCHF

12. Which of the following statements is FALSE?

- (A) The volatility declines as the number of stocks in a portfolio grows.
- (B) As the number of stocks in a portfolio grows large, the variance of the portfolio is determined primarily by the average covariance among the stocks.
- (C) The expected return of a portfolio is equal to the weighted average expected return, but the volatility of a portfolio is less than the weighted average volatility.
- (D) Each security contributes to the volatility of the portfolio according to its volatility, scaled by its covariance with the portfolio, which adjusts for the fraction of the total risk that is common to the portfolio.
- (E) Nearly half of the volatility of individual stocks can be eliminated in a large portfolio as a result of diversification.

13. Which of the following statements is FALSE?

- (A) As we increase the fraction invested in the efficient portfolio, we increase our risk premium but not our risk proportionately.
- (B) The slope of the line through a given portfolio is often referred to as the Sharpe ratio of the portfolio.
- (C) By combining the efficient portfolio with the risk-free investment, an investor will earn the highest possible expected return for any level of volatility her or she is willing to bear.
- (D) Every investor should invest in the tangent portfolio independent of his or her taste for risk.
- (E) If we increase the fraction invested in the efficient portfolio beyond 100%, we are short selling the risk-free investment.

14. Which of the following is NOT an indirect cost of bankruptcy?

- (A) Legal fees
- (B) Costs to creditors
- (C) Loss of Receivables
- (D) Loss of customers
- (E) Fire sales of assets

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15. Taggart Transcontinental currently has no debt and an equity cost of capital of 16%. Suppose that Taggart decides to increase its leverage and maintain a market debt-to-value ratio of 1/3. Suppose Taggart's debt cost of capital is 9% and its corporate tax rate is 35%. Assuming that Taggart's pre-tax WACC remains constant, then with the addition of leverage its effective after-tax WACC will be closest to:
- (A) 12.9%
 - (B) 13.0%
 - (C) 15.0%
 - (D) 16.0%
 - (E) 19.2%
16. Which of the following statements is FALSE?
- (A) The higher the firm's leverage, the more the firm exploits the tax advantage of debt, and the lower its WACC.
 - (B) Corporate taxes lower the effective cost of debt financing, which translates into a reduction in the weighted average cost of capital.
 - (C) The reduction in the WACC increases with the amount of debt financing.
 - (D) Typically, the level of future interest payments varies due to changes the firm makes in the amount of debt outstanding, changes in the interest rate on that debt, and the risk that the firm may default and fail to make an interest payment.
 - (E) Because the firm's free cash flow is computed without considering the firm's leverage, we account for the benefit of the interest tax shield by calculating the WACC using the before tax cost of debt.
17. Which of the following statements is FALSE?
- (A) From an accounting perspective, dividends generally reduce the firm's current (or accumulated) retained earnings.
 - (B) The average size of the stock price reaction increases with the magnitude of the dividend change, and is larger for dividend cuts.
 - (C) In perfect capital markets, investors are indifferent between the firm distributing funds via dividends or share repurchases. By reinvesting dividends or selling shares, they can replicate either payout method on their own.
 - (D) Unlike with capital structure, taxes are not an important market imperfection that influence a firm's decision to pay dividends or repurchase shares.
 - (E) Because long-term investors can defer the capital gains tax until they sell, there is still a tax advantage for share repurchases over dividends.
18. Which of the following statements is FALSE?
- (A) The Law of One Price implies that leverage will affect the total value of the firm under perfect capital market conditions.
 - (B) It is inappropriate to discount the cash flows of levered equity at the same discount rate that we use for unlevered equity.
 - (C) Investors in levered equity require a higher expected return to compensate for its increased risk.
 - (D) We can evaluate the relationship between risk and return more formally by computing the sensitivity of each security's return to the systematic risk of the economy.
 - (E) Leverage increases the risk of equity even when there is no risk that the firm will default.

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19. Which of the following statements is FALSE?

- (A) Aside from the direct legal and administrative costs of bankruptcy, many other indirect costs are associated with financial distress (whether or not the firm has formally filed for bankruptcy).
- (B) Although indirect costs of bankruptcy are difficult to measure accurately, they are typically much smaller than the direct costs of bankruptcy.
- (C) Because many aspects of the bankruptcy process are independent of the size of the firm, the costs are typically higher, in percentage terms, for smaller firms.
- (D) The costs of selling assets below their value are greatest for firms with assets that lack competitive, liquid markets.
- (E) The direct costs of bankruptcy are likely to be higher for firms with more complicated business operations and for firms with larger numbers of creditors, because it may be more difficult to reach agreement among many creditors regarding the final disposition of the firm's assets.

20. Which one of the following portfolios **cannot lie** on the efficient frontier as described by Markowitz?

<u>Portfolio</u>	<u>Expected Return</u>	<u>Standard Deviation</u>
W	9%	21%
X	5%	7%
Y	15%	36%
Z	12%	15%

- (A) Only portfolio W cannot lie on the efficient frontier
 - (B) Only portfolio X cannot lie on the efficient frontier.
 - (C) Only portfolio Y cannot lie on the efficient frontier.
 - (D) Only portfolio Z cannot lie on the efficient frontier.
 - (E) Cannot tell from the information given.
21. For a two-stock portfolio, what would be the preferred correlation coefficient between the two stocks?
- (A) +1.00
 - (B) +0.50
 - (C) 0.00
 - (D) -1.00
 - (E) None of the above options.
22. Your opinion is that CSCO has an expected rate of return of 0.13. It has a beta of 1.3. The risk-free rate is 0.04 and the market expected rate of return is 0.115. According to the Capital Asset Pricing Model, this security is
- (A) underpriced
 - (B) overpriced
 - (C) fairly priced
 - (D) Cannot be determined from data provided.
 - (E) None of the above options.

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23. Consider a single factor APT. Portfolio A has a beta of 1.0 and an expected return of 16%. Portfolio B has a beta of 0.8 and an expected return of 12%. The risk-free rate of return is 6%. If you wanted to take advantage of an arbitrage opportunity, you should take a short position in portfolio _____ and a long position in portfolio _____.
- (A) A,A
(B) A,B
(C) B,A
(D) B,B
(E) A, the riskless asset
24. The duration of a bond is positively correlated with the bond's
- (A) time to maturity
(B) coupon rate
(C) yield to maturity
(D) All of the options
(E) None of the options
25. The value of a stock put option is positively related to
- (A) the time to expiration.
(B) the striking price.
(C) the stock price.
(D) All of the options.
(E) the time to expiration and the striking price.

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