Question #1 of 12

Question ID: 1646481

Compared to public companies, private companies:

A) have shares that are easier to transfer.

B) are subject to stricter disclosure requirements.

C) may provide greater returns over long investment horizons.

Question #2 of 12

Question ID: 1646482

With respect to a corporation's mechanisms to manage stakeholder relationships, special resolutions are *most* accurately described as a:

A) creditor mechanism.

B) shareholder mechanism.

C) board of directors mechanism.

Question #3 of 12

Question ID: 1646483

Which of the following changes in a firm's working capital management is *most likely* to result in a shorter operating cycle?

A) Reducing stock-outs by carrying greater quantities of inventory.

B) Stretching its payables by paying on the last permitted date.

C) Changing its credit terms for customers from 2/10, net 60 to 2/10, net 30.

Question #4 of 12

Question ID: 1646484

The use of secondary sources of liquidity would *most likely* be considered:

A) a normal part of daily business for a company.

B) a signal that a company's financial position is deteriorating.

C) a lower-cost source of short-term financing compared to primary sources of liquidity.

Question #5 of 12

Question ID: 1646485

Companies that use significant short-term funding in their capital structure should:

A) use multiple sources for a specific type of lending.

B) deal primarily with a single source to achieve the lowest cost.

C) not maintain sources of funding beyond their current needs because that increases their funding cost.

Question #6 of 12

Question ID: 1646486

With regard to the internal rate of return (IRR), which of the following statements is *most accurate*?

A) The IRR is the discount rate that maximizes a project's net present value.

B) A proper decision rule is to accept the project if IRR is less than the required rate of return.

C) IRR is the discount rate at which the present value of expected future after-tax cash flows is equal to the investment outlay.

Question #7 of 12

Question ID: 1646487

The manufacturer of Pow Detergent has developed New Improved Pow with Dirteaters and is considering adding it to its product line. New Improved Pow would sell at a premium price compared to Pow. In order to manufacture New Improved Pow, the firm will need to build a new facility and purchase new equipment. Which of the following is *least likely* included when calculating the appropriate cash flows for analysis of whether to add New Improved Pow to its product line?

A) Expected depreciation on the new facility and equipment for tax purposes.
B) Costs of a marketing survey performed last month to decide whether to introduce New Improved Pow.
C) Reduced sales of Pow that result from the introduction of New Improved Pow.

Question #8 of 12

Question ID: 1646488

Other things equal, a company is likely able to support a higher proportion of debt in its capital structure if it:

A) operates in a cyclical industry.
B) is early in its company life cycle.
C) has a subscription-based revenue model.

Question #9 of 12

Question ID: 1646489

The idea that firm management and shareholders have asymmetric information regarding firm prospects is a key assumption of:

A) pecking order theory.
B) static trade-off theory.
C) optimal debt level theory.

Question #10 of 12

Question ID: 1646490

One of the results of Modigliani and Miller's model of capital structure for a firm with a zero tax rate is that:

A) the cost of debt decreases as more debt is used in its capital structure.
B) the required return on equity increases as more debt is used in its capital structure.
C) the weighted average cost of capital for the firm decreases as more debt is used in its financial structure.

Question #11 of 12

Question ID: 1646491

The Modigliani and Miller model of capital structure with a positive corporate tax rate concludes that a company's weighted average cost of capital will be:

A) minimized with 100% debt financing.
B) constant at various levels of financial leverage.
C) minimized with an optimal level of debt financing between 0% and 100%.

Question #12 of 12

Question ID: 1646492

An analyst observes that Fuchsia Company is using a bundling strategy and Turquoise Company is using a razors-and-blades strategy. Which feature of the two companies' business models is the analyst comparing?

A) Pricing models.
B) Channel strategies.
C) Value propositions.