**Question 7**

1. A project requires $44,869 of equipment that is classified as a 7-year property. What is the depreciation expense in Year 4 given the following MACRS depreciation allowances, starting with year one: 14.29, 24.49, 17.49, 12.49, 8.93, 8.92, 8.93, and 4.46 percent?   
     
   Enter your answer rounded off to two decimal points. Do not enter $ or comma in the answer box. For example, if your answer is $12.345 then enter as 12.35 in the answer box.



1 points

**Question 8**

1. If a security’s intrinsic value is higher than its market value, the security appears to be \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|  |  | undervalued |
|  |  | overvalued |
|  |  | fairly valued |

1 points

**Question 9**

1. A project has an initial requirement of $54,969 for equipment. The equipment will be depreciated to a zero book value over the 5-year life of the project. The investment in net working capital will be $19,827. All of the net working capital will be recouped at the end of the 5 years. The equipment will have an estimated salvage value of $11,915.  The annual operating cash flow is $32,982. The cost of capital is 9 percent. What is the project’s net present value if the tax rate is 22 percent?

Enter your answer rounded off to two decimal points. Do not enter $ or comma in the answer box. For example, if your answer is $12.345 then enter as 12.35 in the answer box.



1 points

**Question 10**

1. ABC Inc. is considering an investment of $1,118 million with after-tax cash inflows of $186 million per year for six years and an additional after-tax salvage value of 43 million in Year 6. The required rate of return is 10%. What is the investment’s Profitability Index (PI)?

Enter your answer rounded off to two decimal points.



1 points

**Question 11**

1. What is the Profitability Index (PI) of this project if the required rate is 9%?

Year       CF  
0          -$3,921  
1           $921  
2           $420  
3           $1,762  
4           $421  
5           $762

Enter your answer rounded off to two decimal points. For example, if your answer is 12.345 then enter as 12.35 in the answer box.



1 points

**Question 12**

1. ABC Company purchased a new machinery 4 years ago for $51,625. Today, it is selling this equipment for $26,953. What is the after-tax cash flow from this sale if the tax rate is 25 percent?

The MACRS allowance percentages are as follows, commencing with year one: 20.00, 32.00, 19.20, 11.52, 11.52, and 5.76 percent.

Enter your answer rounded off to two decimal points. Do not enter $ or comma in the answer box. For example, if your answer is $12.345 then enter as 12.35 in the answer box.



1 points

**Question 13**

1. One year ago, you puchased 209 shares of ABC stock for $37.89 per share. During the year, you received a dividend of $5.19 per share. Today, you sold all your shares for $60.71. What are the percentage return on your investment?

*Note: Enter your answer in percentages rounded off to two decimal points. Do not enter % in the answer box. For example, if your answer is 0.12345 then enter as 12.35 in the answer box.*



1 points

**Question 14**

1. Based on the following information, what is the portfolio beta?

|  |  |  |
| --- | --- | --- |
| Stock | Value | Beta |
| A | $25,326 | 1.64 |
| B | $27,524 | 3.15 |
| C | $46,520 | 3.34 |
| D | $38,418 | 2.09 |

1. Enter your answer rounded off to two decimal points. For example, if your answer is 12.345 then enter as 12.35 in the answer box.
2. 

1 points

**Question 15**

1. Over the past six years, a stock had annual returns of 10 percent, 5 percent, 7 percent, 8 percent, 2 percent, and -11 percent, respectively. What is the standard deviation of these returns?

Enter your answer as a percentage rounded off to two decimal points. Do not enter % in the answer box. For example, if your answer is 12.345% then enter as 12.35 in the answer box.



1 points

**Question 16**

1. You have invested $75,253 portfolio in three securities. The three securities comprise of the risk-free asset, Stock A, and Stock B. The beta of stock A is 1.9 while the beta of stock B is 0.5. 29% of the portfolio is invested in the risk-free security. What is the dollar amount invested in stock B if the beta of the portfolio is 1.2?

Enter your answer rounded off to two decimal points. Do not enter $ or comma in the answer box. For example, if your answer is $12.345 then enter as 12.35 in the answer box.



1 points

**Question 17**

1. A 12-year project is expected to generate annual sales of $213,297, variable costs of $47,187, and fixed costs of $32,665. The annual depreciation is $11,269 and the tax rate is 34 percent. What is the annual operating cash flow?

Enter your answer rounded off to two decimal points. Do not enter $ or comma in the answer box. For example, if your answer is $12.345 then enter as 12.35 in the answer box.



1 points

**Question 18**

1. Five years ago, ABC Company invested $48,508 million in a machinery. The investment in net working capital was $3,608 which would be recovered at the end of the project. Today, ABC Company is selling the machinery for $20,505 million. The book value of the machinery is $23,428 million. The tax rate is 26 percent. The operating cash flows in Year 5 are 6,062. What are the project's Year 5 cash flows?

Enter your answer rounded off to two decimal points. Do not enter $ or comma in the answer box. For example, if your answer is $12.345 then enter as 12.35 in the answer box.



1 points

**Question 19**

1. What is the project's initial investment outlay based on the following information: The machinery could be purchased for $36,468. Shipping and installation costs would cost another $1,541. The project would require an initial investment in net working capital of $6,095. The company's tax rate is 30%.

Enter your answer rounded off to two decimal points. Do not enter $ or comma in the answer box. For example, if your answer is $12.345 then enter as 12.35 in the answer box.



1 points

**Question 20**

1. The risk-free rate is 6.9%, the market risk premium is 9.6%, and the stock’s beta is 1.72.  What is the cost of common stock (Ke)?

*Note: Enter your answer rounded off to two decimal points. Do not enter % in the answer box. For example, if your answer is 0.12345 then enter as 12.35 in the answer box.*



1 points

**Question 21**

1. What is the NPV of this project if the required rate is 6%?

Year       CF  
0          -$766  
1           $1,572  
2           $1,479  
3           $2,260

Enter your answer rounded off to two decimal points. Do not enter $ or comma in the answer box. For example, if your answer is $12.345 then enter as 12.35 in the answer box.



1 points

**Question 22**

1. ABC Company is considering a new project. The project is expected to generate annual sales of $52,714, variable costs of $16,800, and fixed costs of $6,989. The depreciation expense each year is $8,579 and the tax rate is 33 percent. What is the annual operating cash flow?

Enter your answer rounded off to two decimal points. Do not enter $ or comma in the answer box. For example, if your answer is $12.345 then enter as 12.35 in the answer box.



1 points

**Question 23**

1. You have a $68,266 portfolio that consists of $18,341 invested in Stock A, $12,787 invested in Stock B, $2,101 invested in Stock C, and the remainder in Stock D. The portfolio has a return of 17.4 percent. The return for Stock A is 17.1 percent, for Stock B is 24.8 percent, and for Stock C is 7.1 percent. What is the return for Stock D?

Enter your answer as a percentage rounded off to two decimal points. Do not enter % in the answer box. For example, if your answer is 12.345% then enter as 12.35 in the answer box.z



1 points

**Question 24**

1. ABC Company is considering an investment that will cost the company $468 at time=0. The after-tax cash flows are expected to be $116 each year for 14 years. What is the payback period?

Enter your answer rounded off to two decimal points.



1 points

**Question 25**

1. Suppose the nominal rate is 15.22% and the inflation rate is 3.42%. Solve for the real rate. Use the Fisher Effect formula.

*Note: Enter your answer in percentages rounded off to two decimal points. Do not enter % in the answer box. For example, if your answer is 0.12345 then enter as 12.35 in the answer box.*



1 points

**Question 26**

1. ABC Company has $1,000 face value bonds outstanding. These bonds pay interest semiannually, mature in 7 years, and have a 8 percent coupon. The current price of the bond is $900. What is the yield to maturity?

Enter yur answer in percentages rounded off to two decimal points. Do not enter % in the answer box.



1 points

**Question 27**

1. ABC, Inc. has bonds outstanding that mature in 25 years. The annual coupon rate is 4%. The bonds pay interest annually and have a face value of $1,000. Currently, the bonds are selling for $900. What is the yield to maturity?

Enter your answer as a percentage rounded off to TWO decimal points.

