

考 試 科 目	財務管理 41213	所 別	金融學系/金融管理組	考 試 時 間	2 月 27 日(六) 第二節
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Part I: Multiple choice (30 points, 3 points each question)

1. Corporate governance is the set of internal controls, processes and procedures defining how a firm is managed. Which of the following statements concerning corporate governance is least accurate?

- A) Good corporate governance means that the board can work effectively with management.
- B) Good corporate governance dictates that the firm's financial, operating and governance activities are reported to stakeholders in a fair, accurate and timely manner.
- C) Corporate governance defines the appropriate rights, roles and responsibilities of management, the board, and stakeholders within a firm.

2. When a firm recognizes revenue in excess of expenses on a product not covered by a warranty before cash is collected, what is the impact on the firm's assets and liabilities, ignoring taxes?

Assets

Liabilities

- | | |
|--------------|-----------|
| A) Increase | Increase |
| B) Increase | No effect |
| C) No effect | Increase |

3. Regarding the basic principles of capital budgeting:

Statement 1: The timing of expected cash flows is crucial for determining the profitability of a capital budgeting project.

Statement 2: Capital budgeting decisions should be based on the after-tax net income produced by the capital project.

Which of the statements is most accurate?

Statement 1

Statement 2

- | | |
|--------------|-----------|
| A) Correct | Incorrect |
| B) Correct | Correct |
| C) Incorrect | Correct |

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4. An analyst computes the following ratios for a firm A and compares the results to the industry averages:

Financial Ratio	Firm A	Industry Average
Current Ratio	2.3x	1.8x
Net Profit Margin	22%	24%
Return on Equity	17%	20%
Total Debt / Total Capital	35%	56%
Times Interest Earned	4.7x	4.1x

Based on the above data, which of the following can the analyst conclude? Firm A:

- A) has better short-term liquidity than its competitors.
- B) has stronger profitability than its competitors.
- C) is most likely a younger company than its competitors.

5. Which of the following strategies is most likely to be considered good payables management?

- A) Paying invoices on the last possible day to still get the supplier's discount for early payment.
- B) Taking trade discounts only if the firm's annual return on short-term investments is less than the discount percentage.
- C) Paying trade invoices on the day they arrive.

6. XYZ Corporation recently announced a 15% increase in earnings per share (EPS) over the previous period. The consensus expectation of financial analysts had been an increase in EPS of 10%. After the earnings announcement the value of XYZ common stock increased each day for the next five trading days, as analysts and investors gradually reacted to the better than expected news. This gradual change in the value of the stock is an example of:

- A) inefficient markets.
- B) speculation.
- C) efficient markets.

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7. Which of the following statements about systematic and unsystematic risk is least accurate?
- A) As an investor increases the number of stocks in a portfolio, the systematic risk will remain constant.
 - B) Total risk equals market risk plus firm-specific risk.
 - C) The unsystematic risk for a specific firm is similar to the unsystematic risk for other firms in the same industry.
8. In preparing a cash flow forecast, a firm is likely to employ a minimum acceptable cash balance:
- A) that includes a component for opportunities that may arise.
 - B) which includes estimated expenses and a margin for unforeseen expenses only.
 - C) equal to the amount necessary to pay projected payables, interest, taxes, and day-to-day expenses.
9. Which of the following statements is FALSE? Compared to a callable bond, a noncallable bond:
- A) provides a higher yield.
 - B) is more attractive to an investor concerned with reinvestment risk.
 - C) has more predictable cash flows.
10. A firm has a capital structure of 60% debt and 40% equity and a dividend payout ratio of 50%. If a surplus results from first-pass pro forma financial statements based on estimated sales growth and assuming the capital structure and dividend payout ratio are maintained, which of the following changes in assumptions would eliminate any surplus in a single step?
- A) The entire surplus will be used to repurchase common stock.
 - B) The entire surplus will be used to pay down long-term debt.
 - C) No change in assumptions is necessary.

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Part II: Calculations (70 points, 10 points each question)

Show your calculation process and answer questions by orders. No point is given if above statement is violate.

1. Company ABC reported the following financial information at the end of 2015:

in millions

Merchandise inventory	\$240
Minority interest	70
Cash and equivalents	275
Accounts receivable	1,150
Accounts payable	225
Property & equipment	2,160
Accrued expenses	830
Current portion of long-term debt	120
Long-term debt	1,570
Retained earnings	4,230

Calculate ABC's current assets and working capital.

2. A local bank offers a certificate of deposit (CD) that earns 5.0% compounded quarterly for three and one half years. If a depositor places \$5,000 on deposit, what will be the value of the account at maturity?

3. Henry borrows \$20,000 to be paid back in four equal annual payments at an interest rate of 8%. What will be the interest amount in the second year's payment?

4. One year ago, Mary purchased a 6.50% fixed coupon bond for 98.50. Recently, she sold the bond for 99.25 and calculated her return at 7.4%. Her friend reminds Mary that this is the nominal return and that to calculate the real return, she needs to factor in the inflation rate over the holding period. If the price index for the current year is 118.5 and the price index one year ago was 115.9, what is Mary's real return?

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5. The following data pertains to a common stock:

- It will pay no dividends for two years.
- The dividend three years from now is expected to be \$1.
- Dividends are expected to grow at a 7% rate from that point onward.

If an investor requires a 17% return on this stock, what will they be willing to pay for this stock now?

6. A firm is considering a \$5,000 project that will generate an annual cash flow of \$1,000 for the next 8 years. The firm has the following financial data:

- Debt/equity ratio is 50%.
- Cost of equity capital is 15%.
- Cost of new debt is 9%.
- Tax rate is 33%.

Determine the project's net present value (NPV) and whether or not to accept it.

7. A company has the following capital structure:

- Target weightings: 30% debt, 20% preferred stock, 50% common equity.
- Tax Rate: 35%.
- The firm can issue \$1,000 face value, 7% semi-annual coupon debt with a 15-year maturity for a price of \$1,047.46.
- An 8% dividend preferred stock issue has a value of \$35 per share.
- The company's growth rate is estimated at 6%.
- The company's common shares have a value of \$40 and a dividend in year 0 of $D_0 = \$3.00$.

Calculate the company's weighted average cost of capital.

備 註	一、作答於試題上者，不予計分。 二、試題請隨卷繳交。
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