

國立臺灣師範大學 114 學年度碩士班招生考試試題

科目：財務管理

適用系所：管理研究所

注意：本試題共 8 頁，請依序在答案卡上作答，否則不予計分。

Multiple Choice Questions (each question 2.5 points)

1. The present value of a set of cash flows is:
 - A) the weighted average of present values of individual cash flows.
 - B) the sum of individual cash flows which are then discounted.
 - C) the sum of the present values of the individual cash flows.
 - D) always greater than the present value of the investment.
 - E) the weighted average of individual cash flows, which is then discounted.

2. Retained earnings are:
 - A) the amount of cash that the firm has saved up.
 - B) the difference between the net income earned and the dividends paid in a year.
 - C) the difference between the market price of the stock and the book value.
 - D) the amount of stock repurchased.
 - E) none of the above.

3. Which of the following values is closest to the amount that should be paid for a stock that will pay a dividend of \$10 one year from now and \$11 two years from now? The stock will be sold in 2 years for an estimated price of \$120. The appropriate discount rate is 9%.
 - A) \$114
 - B) \$119
 - C) \$124
 - D) \$129
 - E) \$138

4. Which of the following does not characterize NPV as an investment rule?
 - A) NPV is the simplest of all investment rules.
 - B) NPV incorporates all relevant information.
 - C) NPV uses all of the project's cash flows.
 - D) NPV discounts all future cash flows.
 - E) all of the above.

5. To be able to estimate the expected return on the market portfolio, you would need to know or estimate:
 - A) the beta of the portfolio, the risk-free rate, and the level of the market over the next year.
 - B) the risk-free rate and beta of the portfolio.
 - C) the historical risk premium and the risk-free rate.

國立臺灣師範大學 114 學年度碩士班招生考試試題

- D) the level of the market over the next year, the risk-free rate, and the historical risk premium.
E) none of the above is sufficient.

6. You bought 100 shares of stock at \$10 each. At the end of the year, you received a total of \$200 in dividends, and your stock was worth \$1,250 total. What was your total return?

- A) 45%
B) 50%
C) 90%
D) 20%
E) 16%

7. Stock A has an expected return of 20%, and Stock B has an expected return of 4%. However, the risk of Stock A as measured by its variance is 3 times that of Stock B. If the two stocks are combined equally in a portfolio, what would be the portfolio's expected return?

- A) 20.0%
B) 4.0%
C) 12.0%
D) 8.0%
E) Greater than 20%

8. A stock with a beta of zero would be expected to:

- A) have a rate of return equal to the risk-free rate.
B) have a rate of return equal to the market rate.
C) have a rate of return equal to zero.
D) have a rate of return equal to the one.
E) none of the above.

9. Which of the following statements is true?

- A) Regardless of the value of the interest rate, increasing the compounding frequency will decrease the future value.
B) Regardless of the value of the interest rate, increasing the compounding frequency will increase the future value.
C) There is a relationship between the future value of investment and the effect of compounding frequency. At high interest rates, increases in compounding frequency will decrease the future value.
D) There is a relationship between the future value of investment and the effect of compounding frequency. At low interest rates, increases in compounding frequency will decrease the future value.
E) None of the above is true.

國立臺灣師範大學 114 學年度碩士班招生考試試題

10. The yield to maturity is:

- A) the rate that equates the price of the bond with the discounted cashflows.
- B) the expected rate to be earned if held to maturity.
- C) the rate that is used to determine the market price of the bond.
- D) equal to the current yield for bonds priced at par.
- E) all of the above.

11. Financial leverage impacts the performance of the firm by:

- A) increasing the volatility of the firm's EBIT.
- B) decreasing the volatility of the firm's EBIT.
- C) decreasing the volatility of the firm's net income.
- D) increasing the volatility of the firm's net income.
- E) none of the above.

12. A portfolio has 50% of its funds invested in Security A and 50% of its funds invested in Security B. Security A has a standard deviation of 6. Security B has a standard deviation of 12. The securities have a coefficient of correlation of 0.5. Which of the following values is closest to portfolio variance?

- A) 63
- B) 90
- C) 27
- D) 9
- E) 48

13. The beta of a firm depends on which of the following firm characteristics?

- A) Cycles in revenues
- B) Operating leverage (fixed cost/variable cost)
- C) Financial leverage (debt/equity)
- D) All of the above
- E) None of the above

14. Which of the following does not represent a major difference between debt and equity?

- A) Creditors do not have voting power as stockholders do.
- B) Payment on interest on debt is considered an expense, while payment of dividends is not.
- C) Unpaid debt is a liability of the firm, and if not paid, can result in liquidation of the firm. Unpaid dividends cannot.
- D) One of the costs of issuing equity is the possibility of financial distress, while no financial distress is associated with debt.
- E) None of the above.

國立臺灣師範大學 114 學年度碩士班招生考試試題

15. Mortgage Instruments Inc. is expected to pay dividends of \$1.03 next year. The company just paid dividends of \$1. This growth rate is expected to continue. How much should be paid for Mortgage Instruments stock just after the dividend if the appropriate discount rate is 5%?

- A) \$20
- B) \$21
- C) \$34
- D) \$50
- E) \$52

16. The P/E (price to earnings) ratio of a stock is _____ related to growth potential, _____ related to the discount rate, and _____ related to the stock's risk.

- A) positively, positively, negatively
- B) negatively, positively, positively
- C) positively, negatively, negatively
- D) negatively, negatively, positively
- E) positively, positively, positively

17. The market price of _____ maturity bonds fluctuates _____ compared with _____ maturity bonds as interest rates change.

- A) shorter, less, longer
- B) longer, less, shorter
- C) shorter, more, longer
- D) both B) and C)
- E) past, more, future

18. If the correlation between two stocks is -1, the returns:

- A) generally move in the same direction.
- B) move perfectly opposite to one another.
- C) are unrelated to one another as it is <0 .
- D) have standard deviations of equal size but opposite signs.
- E) none of the above.

19. For a diversified portfolio including a large number of stocks,:

- A) the weighted average expected return goes to zero.
- B) the weighted average of the betas goes to zero.
- C) the weighted average of the unsystematic risk goes to zero.
- D) the return of the portfolio goes to zero.
- E) the return on the portfolio equals the risk-free rate.

國立臺灣師範大學 114 學年度碩士班招生考試試題

20. What is its cost of equity of a firm if there are no taxes or other imperfections? The firm has a debt-to-equity ratio of 0.6. Its cost of debt is 8%. Its overall cost of capital is 12%.
- A) 18%
 - B) 14.4%
 - C) 10%
 - D) 13.5%
 - E) 20%
21. The beta of a portfolio of firm's debt and equity:
- A) is equal to the sum of all the betas.
 - B) is equal to the sum of all the betas weighted by their market value weight.
 - C) is greater than the beta of each component.
 - D) is always less than zero.
 - E) can never be made up of debt and equity.
22. Shareholders discount many corporate announcements because of their prior expectations. If an announcement causes the price to change it will mostly be driven by:
- A) the expected part of the announcement.
 - B) market inefficiency.
 - C) the innovation or unexpected part of the announcement.
 - D) the systematic risk.
 - E) None of the above
23. If the covariance of Stock A with Stock B is -0.0065, then what is the covariance of stock B with stock A ?
- A) -0.0065
 - B) +0.0065
 - C) greater than +0.0065
 - D) less than -0.0065
 - E) need additional information
24. The efficient set of portfolios:
- A) contains the portfolio combinations with the highest return for a given level of risk.
 - B) contains the portfolio combinations with the lowest risk for a given level of return.
 - C) is the lowest overall risk portfolio.
 - D) (A) and (B)
 - E) (A) and (C)
25. The market value of the ownership of the firm equals:
- A) the market price of the stock times the number of shares outstanding.

國立臺灣師範大學 114 學年度碩士班招生考試試題

B) the sum of the market price of the bonds and the stock.

C) the par value of the stock times the number of shares outstanding.

D) the market price of the stock minus the retained earnings.

E) none of the above.

26. A growth stock portfolio and a value portfolio might be characterized:

A) each by their P/E relative to the index P/E; high P/E for growth and lower for value.

B) as earning a high rate of return for a growth security and a low rate of return for value security irrespective of risk.

C) low unsystematic risk and high systematic risk respectively.

D) moderate systematic risk and zero systematic risk respectively.

E) none of the above.

27. A risk factor is a variable that:

A) affects returns of many risky assets in a systematic fashion.

B) affects returns of many risky assets in an unsystematic fashion.

C) correlates with risky asset returns in a unsystematic fashion.

D) does not correlate with the returns of risky assets in an systematic fashion.

E) none of the above.

28. In normal market conditions if a security has a negative beta,:

A) the security always has a positive return.

B) the security has an expected return above the risk-free rate.

C) the security has an expected return less than the risk-free rate.

D) the security has an expected return equal to the market portfolio.

E) none of the above is correct.

29. The Zero Corporation has issued a \$1,000 face value zero-coupon bond. Which of the following values is closest to the correct price for the bond if the appropriate discount rate is 4% and the bond matures in 8 years?

A) \$960

B) \$730

C) \$1,000

D) \$1,350

E) \$3,250

30. A project will have only one internal rate of return if:

A) all cash flows after the initial expense are positive.

B) average accounting return is positive.

C) net present value is negative.

D) net present value is positive.

國立臺灣師範大學 114 學年度碩士班招生考試試題

E) net present value is zero.

31. Imagine you have a portfolio of two risky stocks which turns out to have no diversification. The reason you have no diversification is:

- A) the returns are too small.
- B) the returns move perfectly opposite of one another.
- C) the returns are too large to offset.
- D) the returns move perfectly with one another.
- E) the returns are completely unrelated to one another.

32. Companies that have highly cyclical sales will have:

- A) a low beta if sales are highly dependent on the market cycle.
- B) a high beta if sales are highly dependent on the market cycle.
- C) a high beta if sales are independent on the market cycle.
- D) all of the above.
- E) none of the above.

33. If a firm has low fixed costs relative to all other firms in the same industry, a large change in volume (either up or down) would have:

- A) a smaller change in EBIT for the firm versus the other firms.
- B) no effect in any way on the firms as volume does not affect fixed costs.
- C) a decreasing effect on the cyclical nature of the business.
- D) a large change in EBIT for the firm versus the other firms.
- E) none of the above.

34. Regression analyses can be used to:

- A) estimate beta.
- B) estimate the risk-free rate.
- C) estimate standard deviations.
- D) estimate variances.
- E) estimate expected returns.

35. When comparing levered vs. unlevered capital structures, leverage works to increase EPS (earnings per share) for high levels of EBIT (earnings before interest and taxes), because:

- A) interest payments on the debt vary with EBIT levels.
- B) interest payments on the debt stay fixed, leaving less income to be distributed over less shares.
- C) interest payments on the debt stay fixed, leaving more income to be distributed over less shares.
- D) interest payments on the debt stay fixed, leaving less income to be distributed over more shares.

國立臺灣師範大學 114 學年度碩士班招生考試試題

E) interest payments on the debt stay fixed, leaving more income to be distributed over more shares.

36. When deciding what to do with spare cash (pay out as dividends or invest in new projects), the firm's managers should implement an investment project only if:

- A) the firm never pays a dividend.
- B) the expected return on the project is greater than that of an asset of similar risk.
- C) the expected return on the project is less than that of an asset of similar risk.
- D) the expected return on the project is equal to that of an asset of similar risk.
- E) none of the above.

37. The spot rate for the U.S. dollar relative to the Euro is \$1.47/€. The spot rate for the U.S. dollar relative to the Canadian dollar is \$0.765/C\$. What is the cross exchange rate for the C\$ and €?

- A) C\$ 1.922/€
- B) €1.922/C\$
- C) C\$0.5204/€
- D) €0.5204/C\$
- E) €5.5802/C\$

38. If a firm has been experiencing increased sales while its inventory levels have decreased, then

- A) its inventory turnover is decreasing and its average age of inventory is increasing.
- B) its inventory turnover is decreasing and its average age of inventory is decreasing.
- C) its inventory turnover is increasing and its average age of inventory is increasing.
- D) its inventory turnover is increasing and its average age of inventory is decreasing.
- E) none of above is correct.

39. Purchasing Power Parity implies that if the law of one price holds at all times, then

- A) differences in interest rates are associated with expected changes in exchange rates.
- B) differences in expected inflation rates between two countries are associated with expected changes in exchanges rates.
- C) foreign exchange rates are fixed.
- D) all of above.
- E) none of above.

40. If you have \$1,000 and you plan to save it for 4 years with an interest rate of 10%. What is the future value of your savings?

- A) \$1,464
- B) \$1,000
- C) \$1,310
- D) \$958
- E) \$1,865