

How much did you borrow for your house if your monthly mortgage payment for a 30 year mortgage at 6.65% APR is \$1,600?

. . . \$218,080

. . . \$202,503

. . . \$186,926

. . . \$233,658

. . . \$249,235

. . . \$264,812

Shady Rack Inc. has a bond outstanding with 9.75 percent coupon, paid semiannually, and 17 years to maturity. The market price of the bond is \$1,042.43. Calculate the bond's yield to maturity (YTM). Now, if due to changes in market conditions, the market required YTM suddenly increases by 2% from your calculated YTM, what will be the **percent change** in the market price of the bond?

. . . -17.09%

. . . -16.39%

. . . -17.76%

. . . -14.01%

. . . -15.66%

. . . -14.87%

Sanaponic, Inc. will pay a dividend of \$6 for each of the next 3 years, \$8 for each of the years 4–7, and \$10 for the years 8–10. Thereafter, starting in year 11, the company will pay a constant dividend of \$5/year forever. If you require 12 percent rate of return on investments in this risk class, how much is this stock worth to you?

. . \$37.77

. . \$34.54

. . \$50.50

. . \$45.68

. . \$41.46

. . \$55.99

Your required rate of return is 15%. What is the net present value of a project with the following cash flows?

. Year	. 0	. 1	. 2	. 3	. 4	. 5
. Cash Flow	. -750	. 450	. 350	. 150	. 125	. -100

. . . 26.33

. . . 72.15

. . . 15.56

. . . 60.27

. . . 48.68

. . . 37.37

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Please use the following information for this and the following two questions. BB Lean has identified two mutually exclusive projects with the following cash flows.

. Year	. 0	. 1	. 2	. 3	.
. Cash Flow Project A	-52,000.00	. 18,000.00	. 17,000.00	. 15,000.00	. 12,000.
. Cash Flow Project B	-52,000.00	. 17,800.00	. 10,000.00	. 12,000.00	. 17,000.

The company requires a 11.5% rate of return from projects of this risk. What is the NPV of project A?

. . . 5,972.87

. . . 417.37

. . . 1,395.64

. . . 1,624.90

. . . 5,180.35

. . . 972.57

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What is the IRR of project B?

. . . 12.06%

. . . 12.94%

. . . 13.05%

. . . 20.80%

. . . 13.90%

. . . 14.68%

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At what discount rate would you be indifferent between these two projects?

. . . 3.1177%

. . . 34.1306%

. . . 13.5250%

. . . 26.0812%

. . . 14.7386%

. . . 15.8950%

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A bond with a face value of \$1,000 has annual coupon payments of \$100. It was issued 10 years ago and has 7 years remaining to maturity. The current market price for the bond is \$1,000. Which of the following is true: I. Its YTM is 10%. II. Bond's coupon rate is 9.5%. III. The bond's current yield is 10%.

. . . I, II Only

. . . I, III Only

. . . I, II, and III

. . . III Only

. . . I Only

. . . II, III Only

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Riverhawk Corporation has a bond outstanding with a market price of \$1,250.00. The bond has 10 years to maturity, pays interest semiannually, and has a yield to maturity of 9%. What is the bond's coupon rate?

. . . 13.61%

. . . 11.31%

. . . 9.77%

. . . 10.54%

. . . 12.08%

. . . 12.84%

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You purchased a stock for \$20 per share. The most recent dividend was \$2.50 and dividends are expected to grow at a rate of 8% indefinitely. What is your required rate of return on the stock?

. . . 17.64%

. . . 21.50%

. . . 17.00%

. . . 18.38%

. . . 19.25%

. . . 20.27%

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Sales and profits of Growth Inc. are expected to grow at a rate of 25% per year for the next six years but the company will pay no dividends and reinvest all earnings. After that, the dividends will grow at a constant annual rate of 7%. At the end of year 7, the company plans to pay its first dividend of \$4.00 per share. If the required return is 16%, how much is the stock worth today?

. . . \$22.80

. . . \$15.96

. . . \$20.52

. . . \$25.08

. . . \$18.24

. . . \$13.68

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Apple Sink Inc. (ASI) just paid a dividend of \$2.50 per share. Its dividends are expected to grow at 26% a year for the next two years, 24% a year for the years 3 and 4, 16% for year 5, and at a constant rate of 6% per year thereafter. What is the current market value of the ASI's stock if companies in this risk class have a 16% required rate of return?

. . . \$56.03

. . . \$48.35

. . . \$51.29

. . . \$45.54

. . . \$54.27

. . . \$42.87

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The Retarded Company's dividends are declining at an annual rate of 6 percent. The company just paid a dividend of \$4 per share. You require a 16 percent rate of return. How much will you pay for this stock?

. . . \$13.85

. . . \$19.20

. . . \$17.09

. . . \$15.33

. . . \$12.57

. . . \$21.78

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The dividend yield of a stock is 9 percent. If the market price of the stock is \$18 per share and its dividends have been growing at a constant rate of 6%, what was the most recent dividend paid by the company?

. . . \$1.36

. . . \$1.53

. . . \$1.02

. . . \$1.70

. . . \$1.19

. . . \$0.85

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Last year, Jen and Berry Inc. had sales of \$45,000, cost of goods sold (COGS) of 12,000, depreciation charge of \$3,000 and selling, general and administrative (SG&A) cost of \$10,000. The interest costs were \$2,500. Twenty percent of SG&A costs are fixed costs. If its sales are expected to be \$60,000 this year, what will be the estimated SG&A costs this year?

. . . \$12,667

. . . \$12,000

. . . \$10,636

. . . \$11,500

. . . \$14,250

. . . \$13,250

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You require a risk premium of 3.5 percent on an investment in a company. The pure rate of interest in the market is 2.75 percent and the inflation premium is 3 percent. US Treasury bills are risk free. What should be the yield of the US Treasury bills? Use multiplicative form.

. . . 5.58%

. . . 6.09%

. . . 5.06%

. . . 6.35%

. . . 5.32%

. . . 5.83%

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Bonds X and Y are identical, including the risk class. The only difference between A and B is in the coupon payment as shown below.

	Bond X	Bond Y
Face value	\$1,000	\$1,000
Annual Coupon Payment	\$120	\$130
Payment Frequency	Semiannual	Annual
Years to maturity	15	15
Price	\$919.43	?

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. . . What is the price of bond Y?

. . . \$925.88

. . . \$940.92

. . . \$1,007.15

. . . \$956.95

. . . \$973.44

. . . \$989.75

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