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GESTÃO FINANCEIRA II Lic. - Undergraduate Degree

QUIZ (17.05.2016)

Name: …………………………………………………………………………………………. Number: ………………………..

Answer each question by drawing a circle around the letter that, in your opinion, corresponds to the correct solution.

1- If a firm uses the same company cost of capital for evaluating all projects, which situation(s) will likely occur?

I) The firm will reject good low-risk projects;

II) The firm will accept poor high-risk projects;

III) The firm will correctly accept projects with average risk

A. I only

B. III only

C. I, II and III

D. I and III only

2- The market value of Charcoal Corporation's common stock is $15 million, and the market value of its risk-free debt is $5 million. The beta of the company's common stock is 1.25, and the market risk premium is 8%. If the Treasury bill rate is 3%, what is the company's cost of capital? (Assume no taxes.)

A. 11,8%

B. 10,5%

C. 5,5%

D. 7,7%

3- Which of the following statements is(are) true if the strong-form efficient market hypothesis holds?

I) Analysts can easily forecast stock price changes.

II) Financial markets are irrational.

III) Stock prices reflect all available information.

IV) Stock returns follow a particular pattern.

A. I only

B. III only

C. I and III only

D. IV only

4- Which of the following is a statement of semistrong form efficiency?

I) Stock prices reflect all information.

II) Stock prices will adjust immediately to public information.

III) Stock prices will adjust to newly published information after a long time delay.

A. II only

B. I only

C. II and III only

D. III only

5- Company X has 200 shares outstanding. It earns $1,000 per year and announces that it will use all $1,000 to repurchase its shares in the open market instead of paying dividends. Calculate the number of shares outstanding at the end of year 1, after the first share repurchase, if the required rate of return is 15%.

A. 174,0

B. 200,00

C. 38,00

D. 170,00

6- One possible reason that shareholders often insist on higher dividends is

A. they agree with Miller and Modigliani.

B. the capital gains tax disadvantage.

C. they do not trust managers to spend retained earnings wisely.

D. the stock market is efficient.