



## 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 a project-specific cost of capital for evaluating all projects, which situation(s)
  - I) The firm will accept poor high-risk projects;
  - II) The firm will correctly accept projects with average risk;
  - III) The firm will reject good low-risk projects

A. II only

B. III only

C. I and II only

D. I, II and III
  
- 2- The market value of Charcoal Corporation's common stock is \$17 million, and the market value of its risk-free debt is \$6 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. 10,4%

B. 5,6%

C. 7,6%

D. 11,7%
  
- 3- Strong-form market efficiency states that the market incorporates all information into stock prices. Strong-form efficiency implies that:
  - I) An investor can only earn risk-free rates of return;
  - II) An insider or corporate officer cannot outperform the market by trading on the inside information;
  - III) An investor can always rely on technical analysis.



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## GESTÃO FINANCEIRA II

Lic. - Undergraduate Degree

- A. I only
- B. III only
- C. I and III only
- D. II only

4- If the efficient market hypothesis holds, investors should expect:

- I) To receive a fair price for their security
- II) To be able to pick stocks that will outperform the market
- III) To earn a normal rate of return on their investments

- A. II only
- B. III only
- C. I and III only
- D. I only

5- Company X has 100 shares outstanding. It earns \$2,000 per year and announces that it will use all \$2,000 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. 100,00
- B. 153,00
- C. 87,00
- D. 85,00

6- The rightist position is that the market will reward firms for having:

- A. good management, regardless of dividend yield.
- B. a low dividend yield.
- C. a high dividend yield.
- D. a zero payout policy.