NEW YORK INSTITUE OF TECHNOLOGY
SCHOOL OF MANAGEMENT
(Department of Accounting & Finance)

Corporate Finance (FINC 201) **QUIZ 01 February, 2012** **Prof. Raja Nag**

Name: ______________________________ **Maximum time: 10 minutes**

You are given the following information:

MEGAFRAME COMPUTER COMPANY
Balance Sheet (as of 12-31-2011)

ASSETS		*LIABILITIES & STOCKHOLDERS' EQUITY*	
Cash	$40,000	Accounts Payable	$60,000
Accounts Receivable	60,000	Accrued Expenses	40,000
Inventory	90,000	Long-term debt	130,000
Plant & Equipment	220,000	Common stock	80,000
		Retained Earnings	100,000
Total Assets:	$410,000	Total Liabilities & Equity:	$410,000

MEGAFRAME COMPUTER COMPANY
Income Statement
For the year ended December 31, 2011

Sales (all on credit)	$ 720,000
Cost of Goods Sold	-500,000
Gross Profit	220,000
Sales and Administrative Expense	- 20,000
Depreciation	-40,000
Operating Profit	160,000
Interest Expense	- 16,000
Earnings before Taxes	144,000
Taxes (@ 30%)	-43,200
Net Income:	$ 100,800

a) Find the return on assets for Megaframe Computer.

b) What is Megaframe's quick ratio?

c) What is Megaframe's return on equity?

d) What is Megaframe's profit margin?

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Corporate Finance (FINC 201) **QUIZ 02** **February, 2012** **Prof. Raja Nag**

Name: ______________________________ **Maximum time: 15 minutes**

PROBLEM 1: Janet Jarvis will receive $12,000 a year for the next fifteen years as a result of her patent. If a 9 percent rate is applied, what is the present value of her future earnings?

PROBLEM 2: A recent advertisement in the financial section of a magazine carried the following claim: "*Invest your money with us at 14 percent, compounded annually, and we guarantee to double your money sooner than you imagine*." Ignoring taxes, how long would it take to double your money at a nominal rate of 14 percent, compounded annually?

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Corporate Finance (FINC 201) **QUIZ 03** **February 2012** **Prof. Raja Nag**

Name: ______________________________ **Maximum time: 15 minutes**

PROBLEM 1) Assume that you will receive $2,000 a year in Years 1 through 5, $3,000 a year in Years 6 through 8, and $4,000 in Year 9, with all cash flows to be received at the end of the year. If you require a 14 percent rate of return, what is the present value of these cash flows?

PROBLEM 2) Tim Duncan Trucking is financing a new truck with a loan of $10,000 to be repaid in five annual end-of-year installments of $2,504.56. What annual interest rate is the company paying?

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Corporate Finance (FINC 201) **QUIZ 04** **March 2012** **Prof. Raja Nag**

Name: ______________________________ **Maximum time: 15 minutes**

PROBLEM 1) Due to numerous law suits, a major chemical manufacturer has recently experienced a market reevaluation. The firm has 15-year, 8% semi-annual coupon bonds. The required nominal rate on this debt has now risen to 16%. The face value of the bond is $1,000. What is the current market value of this bond?

PROBLEM 2) You just purchased a $1,000 par value, 9-year, 7% semi-annual coupon bond. This corporate bond sells for $920. What is the yield to maturity (YTM)?

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Corporate Finance (FINC 201) **<u>QUIZ 05</u>** **<u>March 2012</u>** **Prof. Raja Nag**

Name: ________________________________ **Maximum time: 15 minutes**

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1) The last dividend on Spirex Corporation's common stock was $4.00, and the expected growth rate is 10 percent. If you require a rate of return of 20 percent, what is the highest price you should be willing to pay for this stock?

2) A share of perpetual preferred stock pays an annual dividend of $6 per share. If investors require a 12 percent rate of return, what should be the price of this preferred stock?

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Corporate Finance (FINC 201) **QUIZ 06** **March 2012** **Prof. Raja Nag**

Name: ______________________________ **Maximum time: 15 minutes**

Given the following information, compute the expected return, the risk (standard deviation) and the coefficient of variation for Investment X:

Investment X	
Payoff	Probability
20%	0.5
10%	0.4
-10%	0.1

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Corporate Finance (FINC 201) **QUIZ 07** **April 2012** **Prof. Raja Nag**

Name: ______________________________ **Maximum time: 15 minutes**

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1) If a stock has a beta coefficient, β, equal to 1.20, the *risk premium* associated with the market is 9 percent, and the risk-free rate is 5 percent, application of the capital asset pricing model indicates the appropriate return should be ________.

2) The expected market rate of return is 10 percent. If the risk-free return is 4 percent, what is the expected return of the following three-stock portfolio:

Stock 1: Amount invested $500,000 and beta is 1.5
Stock 2: Amount invested $400,000 and beta is 2.0
Stock 3: Amount invested $100,000 and beta is 4.0

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Corporate Finance (FINC 201) **<u>QUIZ 09</u>** **<u>April 2012</u>** **Prof. Raja Nag**

Name: ____________________________ **Maximum time: 15 minutes**

Given the following information, calculate the NPV of a proposed project:

Cost = $4,000; estimated life = 3 years; initial *increase* in accounts receivable (i.e. Net Working Capital) = $1000; estimated salvage value = $1,000; net income *before* taxes and depreciation = $2,100 per year; method of depreciation = straight-line; tax rate = 40 percent; required rate of return = 18 percent.

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Corporate Finance (FINC 201) **QUIZ 10** **April 2012** **Prof. Raja Nag**

Name: ______________________________ **Maximum time: 15 minutes**

Manning Corporation has established a target capital structure of 30 percent debt and 70 percent common equity. The current market price of the firm's stock is P_0 = \$28; its last dividend was D_0 = \$2.00, and its expected dividend growth rate is 5 percent constant. The YTM (Yield to Maturity) of Manning's outstanding bonds is 10%, and its marginal tax rate is 40%. Manning can finance its equity portion with retained earnings. Find the weighted average cost of capital (WACC) of Manning Corporation.