M Finance 5th edition Cornett Test Bank

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M Finance 5th Edition by Cornett Ch01

Answers are located in the second half of this document.

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

1) Which statements(s) is/are true for successful application of financial theories?

A) The economy will be more productive.
B) Individual's wealth will grow.
C) Options 1 and 2 are true.
D) None of the above.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Financial theories

2) Not all cash a company generates will be returned to the investors. Which of the following will *NOT* reduce the amount of capital returned to the investors?

A) retained earnings
B) taxes
C) dividends

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Dividends and pay out policy

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3) This subarea of finance involves methods and techniques to make appropriate decisions about what kinds of securities to own, which firms' securities to buy, and how to be paid back in the form that the investor wishes.

A) real markets
B) investments
C) financial management

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Introduction to corporate finance

4) This subarea of finance looks at firm decisions in acquiring and utilizing cash received from investors or from retained earnings.

A) investments
B) financial management
C) financial institutions and markets

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
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Bloom's : Understand
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Introduction to corporate finance

5) Financial management involves decisions about which of the following?

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A) which projects to fund
B) how to minimize taxation
C) what type of capital should be raised
D) all of these choices are correct.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Financial management decisions

6) This subarea of finance helps facilitate the capital flows between investors and companies.

A) investments
B) financial management
C) treasury management
D) financial institutions and markets

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
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Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Introduction to corporate finance

7) This subarea of finance is important for adapting to the global economy.

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A) investments
B) financial management
C) international finance
D) financial institutions and markets

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
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Bloom's : Understand
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Introduction to corporate finance

8) A potential future negative impact to value and/or cash flows is often discussed in terms of probability of loss and the expected magnitude of the loss. This is called

A) options.
B) standard deviation.
C) coefficient of variation.
D) risk.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Risks and returns

9) This is a term to describe non-physical assets like stocks and bonds that get their value from future cash flows.

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A) investment
B) financial asset
C) real asset
D) financial markets

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Introduction to corporate finance

10) Which of the following is defined as a group of securities that exhibit similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations?

A) investments
B) asset classes
C) market instruments
D) financial markets

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Introduction to corporate finance

11) The most commonly accepted groups of asset classes include all of the following except

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A) stocks.
B) bonds.
C) machinery and equipment.
D) real estate.

Question Details
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Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Introduction to corporate finance

12) Which of the following is the firm's highest-level financial manager?

A) chief executive officer
B) chief financial officer
C) board of directors
D) corporate governance

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-02 Show how finance is at the heart of sound business decisions.
Topic : Management organization and roles

13) Which of the following managers would *NOT* use finance?

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A) operational managers
B) marketing managers
C) human resource managers
D) all the managers above use finance

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Accessibility : Keyboard Navigation
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Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-02 Show how finance is at the heart of sound business decisions.
Topic : Management organization and roles

14) Which of the following personal decisions is impacted by finance?

A) borrowing money to purchase cars or homes
B) making credit card payments
C) making retirement decisions
D) all of these choices are correct.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Topic : Introduction to corporate finance
Learning Goal : 01-03 Learn the financial principles that govern your personal decisions.

15) When determining a form of business organization, all of the following are considered *EXCEPT*

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A) who owns the firm.
B) the owners' risks.
C) the tax ramifications.
D) the physical location of the business.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

16) This type of business organization is relatively easy to start, and it is subject to much lighter regulatory and paperwork burden than other business forms.

A) sole proprietorship
B) partnership
C) corporation
D) hybrid organization

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
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Bloom's : Understand
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

17) This type of business organization is entirely legally independent from its owners.

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A) sole proprietorship
B) partnership
C) public corporations
D) hybrid organizations

Question Details
Accessibility : Keyboard Navigation
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AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

18) Which of the following is *NOT* considered a hybrid organization?

A) S corporation
B) limited liability partnership
C) limited liability company
D) limited partnership
E) all of these choices are correct.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
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Bloom's : Understand
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

19) The practice generally known as double taxation is due to

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A) shareholders' dividends being taxed at both the federal and state levels.
B) corporate income being taxed at both the federal and state levels.
C) interest on shareholders' dividends being taxed as income.
D) corporate incomes being taxed at the corporate level, then again at the shareholder level when corporate profits are paid out as dividends.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization
Difficulty : 2 Intermediate

20) As individual legal entities, corporations assume liability for their own debts, so the shareholders hold

A) only limited liability.
B) unlimited liability.
C) shared liability.
D) joint liability.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

21) In order for an angel investor or venture capitalist to exchange capital for ownership in a business that is a sole proprietorship, which of these must happen?

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A) The business must be re-formed as a partnership.
B) The owner must give up some control.
C) The owner must co sign on all loans.
D) The business must be re-formed as a partnership and the owner must give up some control.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

22) Which statement(s) should be considered to maximize owner's equity value?

A) How best to bring additional funds into the firm.
B) Which projects to invest in.
C) How best to return the profits from those projects to the owners over time.
D) All of the above.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-05 Distinguish among appropriate and inappropriate goals for financial managers.
Topic : Goal of financial management

23) For corporations, maximizing the value of owner's equity can also be stated as

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A) maximizing retained earnings.
B) maximizing earnings per share.
C) maximizing net income.
D) maximizing the stock price.

Question Details
Accessibility : Keyboard Navigation
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Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-05 Distinguish among appropriate and inappropriate goals for financial managers.
Topic : Goal of financial management

24) A metaphor used to illustrate how an individual pursuing his own interests also tends to promote the good of the community.

A) agency theory
B) angel investor
C) invisible hand
D) perks or perquisites

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
AACSB : Reflective Thinking
Bloom's : Understand
Difficulty : 2 Intermediate
Learning Goal : 01-05 Distinguish among appropriate and inappropriate goals for financial managers.
Topic : Goal of financial management

25) This should be the primary objective of a firm as it may actually be the most beneficial for society in the long run.

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A) minimizing layoffs
B) maximizing market share
C) minimizing costs
D) maximizing shareholder value

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
AACSB : Reflective Thinking
Bloom's : Understand
Difficulty : 2 Intermediate
Learning Goal : 01-05 Distinguish among appropriate and inappropriate goals for financial managers.
Topic : Goal of financial management

26) Nonwage compensation that might actually enhance owner value, in that such items may boost managers' productivity.

A) agency theory
B) angel investor
C) invisible hand
D) perks or perquisites

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Agency costs and problems

27) Which of these are *NOT* basic approaches to minimizing the agency problem?

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A) ignore the conflict of interest
B) monitor managers' actions
C) align managers' personal interest with those of the owners by making the managers owners
D) all of these choices are correct.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
AACSB : Reflective Thinking
Bloom's : Understand
Difficulty : 2 Intermediate
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Agency costs and problems

28) Which of the following is an example of aligning managers' personal interests with those of the owners?

A) allow the managers to have as many perks as they request
B) pay the managers high salaries
C) offer the managers an equity stake in the firm
D) trust the managers' actions as they will always act in the owners' best interest

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
AACSB : Reflective Thinking
Bloom's : Understand
Difficulty : 2 Intermediate
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Agency costs and problems

29) This is the set of laws, policies, incentives, and monitors designed to handle the issues arising from the separation of ownership and control.

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A) agency theory
B) corporate governance
C) defined benefit plan
D) invisible hand

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Ethics, governance, and regulation

30) This group is elected by stockholders to oversee management in a corporation.

A) chief counselors
B) chief executives
C) board of directors
D) auditors

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Topic : Management organization and roles
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict

31) These individuals examine the firm's accounting systems and comment on whether financial statements fairly represent the firm's financial position.

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A) accounting departments
B) chief financial officers
C) board of directors
D) auditors

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Topic : Introduction to corporate finance
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict

32) These individuals follow a firm, conduct their own evaluations of the company's business activities, and report to the investment community.

A) auditors
B) investment analysts
C) investment bankers
D) credit analysts

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
AACSB : Reflective Thinking
Bloom's : Understand
Topic : Introduction to corporate finance
Difficulty : 2 Intermediate
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict

33) These individuals help firms access capital markets and advise managers about how to interact with those capital markets.

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A) auditors
B) investment analysts
C) investment bankers
D) credit analysts

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
AACSB : Reflective Thinking
Bloom's : Understand
Topic : Introduction to corporate finance
Difficulty : 2 Intermediate
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict

34) These individuals examine a firm's financial strength for its debt holders.

A) auditors
B) investment analysts
C) investment bankers
D) credit analysts

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
AACSB : Reflective Thinking
Bloom's : Understand
Topic : Introduction to corporate finance
Difficulty : 2 Intermediate
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict

35) Which of the following is a legal duty between two parties where one party must act in the interest of the other party?

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A) agency theory
B) angel investor
C) fiduciary
D) investment banker

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
AACSB : Reflective Thinking
Bloom's : Understand
Difficulty : 2 Intermediate
Topic : Agency costs and problems
Learning Goal : 01-07 Discuss how ethical decision making is part of the study of financial managemen

36) Which of the following can create ethical dilemmas between corporate managers and stockholders?

A) agency relationship
B) auditors
C) boards of directors
D) venture capitalist

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
AACSB : Reflective Thinking
Bloom's : Understand
Difficulty : 2 Intermediate
Topic : Agency costs and problems
Learning Goal : 01-07 Discuss how ethical decision making is part of the study of financial managemen

37) Individuals who provide small amounts of capital and expert business advice to small firms in exchange for an ownership stake in the firm are referred to as

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A) institutional investors.
B) corporate investors.
C) angel investors.
D) capital investors.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Topic : Introduction to corporate finance
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State

38) The opportunity to buy stock at a fixed price over a specific period of time is referred to as

A) stock opportunities.
B) stock options.
C) real assets.
D) restricted stock.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Options

39) The portion of a company's profits that are kept by the company rather than distributed to the stockholders as cash dividends is referred to as

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A) restricted earnings.
B) venture capital.
C) retained earnings.
D) institutional investment.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
AACSB : Analytical Thinking
Topic : Statement of retained earnings

40) An employee stock option plan is

A) a perk usually only given to the board of directors as compensation.
B) a plan that only partnerships can use to defer compensation to partners.
C) a way to align the interests of employees with those of the owners.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Employee stock options

41) Outside parties that monitor the firm include all of the following *EXCEPT*

A) credit agencies.
B) the New York Stock Exchange.
C) analysts.
D) bankers.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Agency costs and problems

42) Which of the following is *NOT* a function of the board of directors?

A) hire the CEO
B) evaluate the CEO
C) design compensation contracts for the CEO
D) provide reports to the auditors

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Topic : Management organization and roles
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict

43) The overall goal of the financial manager is to

A) minimize total costs.
B) maximize net income.
C) maximize earnings per share.
D) maximize shareholder wealth.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
AACSB : Analytical Thinking
Topic : Goal of financial management

44) Maximizing owners' equity value means carefully considering all of the following *EXCEPT*

A) how to best bring additional funds into the firm.
B) which projects to invest in.
C) how best to increase the firm's risk.
D) how best to return the profits from those projects to the owners over time.

Question Details
Accessibility : Keyboard Navigation
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Bloom's : Remember
Difficulty : 1 Basic
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
AACSB : Analytical Thinking
Topic : Goal of financial management

45) The agency relationship in corporate finance occurs

A) when the shareholders hire a manager to run their company.
B) when the corporation hires an advertising agency to market their new product or service.
C) when the board of directors are elected to staggered terms.
D) when the board of directors oversee the CEO.

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Question Details
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Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Agency costs and problems

46) The most common type of business in the United States is the

A) corporation.
B) partnership.
C) sole proprietorship.
D) hybrid organization such as a limited liability company.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

47) The biggest disadvantage of the sole proprietorship is

A) unlimited liability.
B) double taxation.
C) limited access to capital.
D) total control.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

48) Which of the following statements is incorrect?

A) Sole proprietorships are subject to less regulation.
B) Both angel investors and venture capitalists exchange capital for ownership.
C) Shareholders are responsible for paying off the corporate bonds in the event of a bankruptcy.
D) All of these choices are correct.

Question Details
Accessibility : Keyboard Navigation
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Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

49) All of the following are advantages to organizing as a corporation *EXCEPT*

A) limited liability.
B) double taxation.
C) easy access to capital.
D) easy to transfer ownership.

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Question Details
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Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

50) Which of the following statements is correct?

A) Sole proprietorships are easy to start.
B) If the sole proprietorship gets sued, the owner is not liable.
C) It is relatively easy for sole proprietorships to raise money.
D) Profits from the sole proprietorship are subject to double taxation.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

51) From a taxation perspective, the form of business organization with the highest business level taxes is the

A) sole proprietorship.
B) corporation.
C) partnership.
D) S corporation.

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Question Details
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AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

52) From the perspective of access to capital, the best form of business organization is the

A) sole proprietorship.
B) corporation.
C) partnership.
D) S corporation.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

53) From the perspective of ownership risk, the best form of business organization is the

A) sole proprietorship.
B) corporation.
C) partnership.
D) S corporation.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

54) From the perspective of control, the best form of business organization is the

A) sole proprietorship.
B) corporation.
C) partnership.
D) S corporation.

Question Details
Accessibility : Keyboard Navigation
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Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

55) Which of the following statements is incorrect?

A) Partnerships have unlimited liability.
B) Most sole proprietors raise money by borrowing from banks.
C) An advantage of sole proprietorships is that the owner has complete control.
D) S corporations are considered a hybrid organization.

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AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

56) Which organization(s) is/are characterized by single taxation and limited liability to all owners?

A) S corporations.
B) Limited liability partnerships (LLPs).
C) Limited liability companies (LLCs).
D) All of the above.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

57) Which statement is incorrect regarding hybrid organizations?

A) They offer single taxation.
B) They offer limited risk to the owners.
C) They offer the same type of control as a sole proprietorship.
D) All of these choices are correct.

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Question Details
Accessibility : Keyboard Navigation
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Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State
Topic : Forms of business organization

58) Agency problems exist in which forms of business ownership?

A) sole proprietorship
B) S corporation
C) partnership
D) corporation

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Agency costs and problems

59) Methods to minimize agency problem include all *EXCEPT*

A) offer the managers an equity stake in the firm.
B) award the CEO stock options.
C) allow the CEO to purchase stock via an employee stock option plan.
D) allow the CEO to purchase bonds via an employee bond option plan.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Agency costs and problems

60) All of the following are an example of a fiduciary relationship *EXCEPT*

A) a bank employee manages deposits.
B) a financial advisor advises her clients.
C) a CEO manages the firm.
D) the shareholder elects a board member.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
Bloom's : Understand
AACSB : Analytical Thinking
Topic : Agency costs and problems
Learning Goal : 01-07 Discuss how ethical decision making is part of the study of financial managemen

61) Restricted stock is

A) a special type of stock that is not transferable from the current holder to others until specific conditions are satisfied.
B) a special type of stock that can be converted into corporate bonds after a specific amount of time has elapsed.
C) a special type of stock that is a result of offering an employee stock ownership plan.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Topic : Introduction to corporate finance
Learning Goal : 01-07 Discuss how ethical decision making is part of the study of financial managemen

62) The board of directors

A) are hired by the CEO.
B) are elected by shareholders.
C) have unlimited liability since they oversee the day-to-day operations of the firm.
D) are employed by the Securities Exchange Commission to ensure its rules and regulations have been met.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Topic : Management organization and roles
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict

63) Which of these does *NOT* act as a monitor of how the firm is being run outside the firm?

A) auditors
B) analysts
C) credit rating agencies
D) members of the board of directors

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Ethics, governance, and regulation

64) An angel investor differs from a venture capitalist because of the

A) type of investment.
B) investment time frame.
C) size of investment.
D) voting rights.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Topic : Introduction to corporate finance
Learning Goal : 01-04 Examine the three most common business organizational forms in the United State

65) Corporate stakeholders include all of the following *EXCEPT*

A) employees.
B) shareholders.
C) suppliers.
D) auditors.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Topic : Introduction to corporate finance
Learning Goal : 01-05 Distinguish among appropriate and inappropriate goals for financial managers.

66) What is the difference in perspective between finance and accounting?

A) timing
B) risk
C) liability
D) ownership

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Topic : Introduction to corporate finance
Learning Goal : 01-02 Show how finance is at the heart of sound business decisions.

67) Which of the following statements is correct?

A) Accountants are focused on what happened in the past.
B) Financial managers are focused on what happened in the past.
C) Both accountants and financial managers use total quality management systems to standardize data.
D) Financial managers double-check the accountant's statements.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Topic : Introduction to corporate finance
Learning Goal : 01-02 Show how finance is at the heart of sound business decisions.

68) Which of these is the system of incentives and monitors that tries to overcome the agency problem?

A) Security Exchange Commission
B) Checks and Balances
C) Board of Directors
D) Corporate Governance

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Learning Goal : 01-06 Identify a firm's primary agency relationship and discuss the possible conflict
Topic : Agency costs and problems

69) The treasurer is typically responsible for:

A) Managing cash and credit.
B) Issuing and repurchasing financial securities such as stocks and bonds.
C) Hedging against charges in foreign exchange and interest rates.
D) All of the above.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-08 Describe the complex, necessary relationships among firms, financial institutio
Topic : Role of Treasurer

70) Which of the following do not ensure firm viability over the long run?

A) maximizing employment
B) market share
C) profits
D) all of these choices are correct.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Analytical Thinking
Learning Goal : 01-05 Distinguish among appropriate and inappropriate goals for financial managers.
Topic : Goal of financial management

71) Which of these must effectively distribute capital between investors and companies?

A) individuals
B) international investors
C) companies
D) financial institutions

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-01 Define the major areas of finance as they apply to corporate financial manageme
Topic : Capital market performance

72) Which of the following can use financial concepts to improve their decisions?

A) financial professionals only
B) financial and nonfinance professionals
C) day-to-day operations managers only
D) long-term operations managers only

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-02 Show how finance is at the heart of sound business decisions.
Topic : Goal of financial management

73) Which of the following will help you make better personal financial decisions?

A) knowing finance theory
B) applying financial tools
C) auditors
D) knowing finance theory and applying financial tools.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Topic : Introduction to corporate finance
Learning Goal : 01-03 Learn the financial principles that govern your personal decisions.

74) Resulting from an updated rule by the U.S. Securities Exchange Commission in 2017:

A) Publicly traded companies are to release a ratio of CEO earnings compared to median pay for workers.
B) The median ratio of CEO-to-median-worker-salary for the 100 largest companies is 235-to-one.
C) A and B are true.
D) None of the above are true.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-09 Understand how the new tax law impacts financial decision making.
Topic : Tax Cuts & Jobs Act of 2017

75) According to the new Tax Cuts and Jobs Act (TCJA) of 2017, which of the following statements are true?

A) Changes in tax law can lead to making different financial decisions.
B) The new law reduces the amount of debt interest that can be deducted.
C) Companies may wish to use more equity financing and less debt financing.
D) All of the above.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Remember
Difficulty : 1 Basic
AACSB : Reflective Thinking
Bloom's : Understand
Learning Goal : 01-09 Understand how the new tax law impacts financial decision making.
Topic : Tax Cuts & Jobs Act of 2017

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Answer Key

Test name: 001

1) C
2) C
3) B
4) B
5) D
6) D
7) C
8) D
9) B
10) B
11) C
12) B
13) D
14) D
15) D
16) A
17) C
18) E
19) D
20) A
21) D
22) D
23) D
24) C
25) D
26) D

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27) D
28) C
29) B
30) C
31) D
32) B
33) C
34) D
35) C
36) A
37) C
38) B
39) C
40) C
41) B
42) D
43) D
44) C
45) A
46) C
47) A
48) C
49) B
50) A
51) B
52) B
53) B
54) A
55) B
56) D

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57) C
58) D
59) D
60) D
61) A
62) B
63) D
64) C
65) D
66) A
67) A
68) D
69) D
70) D
71) D
72) B
73) D
74) C
75) D

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