Fundamentals of Corporate Finance 13th edition Ross Test Bank

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Fundamentals of Corporate Finance 13th Edition by Ross CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

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

1) The controller, rather than the treasurer, is typically responsible for which one of the following functions?

1) _____

A) Depositing cash receipts
B) Processing cost reports
C) Analyzing equipment purchases
D) Approving credit for a customer
E) Paying a vendor

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-01 Define the basic types of financial management decisions and the role of t
Section : 1.1 Finance: A Quick Look
Topic : Management organization and roles
AACSB : Reflective Thinking
Bloom's : Remember

2) Usually, the treasurer of a corporation reports directly to the:

2) _____

A) board of directors.
B) chair of the board.
C) chief executive officer.
D) president.
E) vice president of finance.

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Bloom's : Remember

3) In a typical corporate organizational structure:

3) _____

A) the vice president of finance reports to the chair of the board.
B) the chief executive officer reports to the president.
C) the controller reports to the chief financial officer.
D) the treasurer reports to the president.
E) the chief operations officer reports to the vice president of production.

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4) Which one of the following questions involves a capital budgeting decision?

4) _____

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A) How many shares of stock should the firm issue?
B) Should the firm purchase a new machine for the production line?
C) Should the firm borrow money to acquire new equipment?
D) How much inventory should the firm keep on hand?
E) How much money should be kept in the checking account?

Question Details
Accessibility : Keyboard Navigation
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Bloom's : Understand
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Topic : Financial management decisions
Difficulty : 2 Intermediate
AACSB : Reflective Thinking

5) When evaluating the timing of a project's projected cash flows, a financial manager is analyzing:

5) _____

A) the amount of each expected cash flow.
B) only the start-up costs that are expected to require cash resources.
C) only the date of the final cash flow related to the project.
D) the amount by which cash receipts are expected to exceed cash outflows.
E) when each cash flow is expected to occur.

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6) Which one of the following questions involves a capital structure decision?

6) _____

A) Which one of two project proposals should the firm implement?
B) How should the firm allocate its limited available funds among acceptable projects?
C) How much funding should be allocated to financing customer purchases of a new product?
D) How much debt should the firm incur to fund a project?
E) How much inventory will be needed to support a project?

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Difficulty : 2 Intermediate
AACSB : Reflective Thinking

7) Determining the number of shares of stock to issue is an example of a _____ decision.

7) _____

A) capital rationing
B) net working capital
C) capital budgeting
D) capital allocation
E) capital structure

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Bloom's : Remember

8) Which one of the following questions is a working capital management decision?

8) _____

A) Should the company issue new shares of stock or borrow money?
B) Should the company refurbish its equipment or replace it?
C) How much inventory should the company keep on hand?
D) Should the company close one of its current stores?
E) How much money should the company borrow to buy a new building?

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Bloom's : Understand
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9) Which one of the following is a working capital management decision?

9) _____

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A) What equipment will be required to complete a project?
B) Should the firm require immediate payment from customers or offer credit terms?
C) What amount of long-term debt is required to complete a project?
D) What percentage of the firm's equity should the firm issue to fund an acquisition?
E) Which one of several acceptable projects should be implemented?

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Accessibility : Keyboard Navigation
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Bloom's : Understand
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Difficulty : 2 Intermediate
AACSB : Reflective Thinking

10) Which one of the following involves a working capital management decision?

10) _____

A) What is the maximum level of cash to be kept in the firm's bank account?
B) What is the most efficient process for producing a product?
C) How many hours of overtime should manufacturing employees be allowed to work?
D) When is the appropriate time to replace the delivery fleet?
E) Should a newly available parcel of land be acquired?

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11) Deciding which long-term investment a firm should make is a _____ decision.

11) _____

A) working capital management
B) capital constraints
C) cost of capital
D) capital budgeting
E) capital structure

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Bloom's : Remember

12) A firm's mixture of debt and equity financing is the result of its _____ decisions.

12) _____

A) working capital management
B) cash management
C) cost analysis
D) capital budgeting
E) capital structure

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13) A firm's _____ is the firm's mix of short-term assets and short-term liabilities.

13) _____

A) net working capital
B) net debt
C) investment capital
D) net currency
E) capital structure

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14) Which one of the following questions is least likely to be addressed by financial managers?

14) _____

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A) In which region of the country should a new product be launched?
B) Should customers be given 30 or 45 days to pay for their credit purchases?
C) Should the firm pay off its debt early?
D) Should the firm acquire new equipment?
E) How much cash should the firm keep on hand?

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15) A firm owned by a single person who has unlimited liability for the firm's debt is called a:

15) _____

A) corporation.
B) sole proprietorship.
C) general partnership.
D) limited partnership.
E) limited liability company.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
Section : 1.2 Corporate Finance and the Financial Manager
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16) A firm owned by two or more people who each have unlimited liability for all of the firm's debts is called a:

16) _____

A) corporation.
B) sole proprietorship.
C) general partnership.
D) limited partnership.
E) limited liability company.

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Bloom's : Remember

17) A partner in a firm knows that the maximum financial loss he or she will experience is the amount he or she invested in the firm. The partner is called a _____ partner.

17) _____

A) general
B) sole
C) limited
D) corporate
E) zero

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Section : 1.2 Corporate Finance and the Financial Manager
Topic : Forms of business organization
AACSB : Reflective Thinking
Bloom's : Remember

18) A business that is a legal entity separate from the owners, yet treated as a legal person, is called a(n):

18) _____

A) corporation.
B) sole proprietorship.
C) general partnership.
D) limited partnership.
E) unlimited liability company.

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Accessibility : Keyboard Navigation
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19) A sole proprietorship:

19) _____

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A) is designed to protect the personal assets of the owner.
B) may earn profits that are subject to double taxation.
C) requires the owner to be personally responsible for all of the company's debts.
D) is the least represented type of firm in the U.S. today.
E) provides the same benefits to owners that a limited liability company does.

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AACSB : Reflective Thinking
Bloom's : Remember

20) A sole proprietorship:

20) _____

A) has a limited life.
B) can generally raise large sums of capital quite easily.
C) can transfer ownership of the firm more easily than a corporation can.
D) is taxed the same as a C corporation.
E) is the most regulated form of organization.

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Accessibility : Keyboard Navigation
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21) _____ are personally responsible for 100 percent of the firm’s debts.

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21) _____

A) General Partners but not sole proprieters
B) Sole prorprieters but not general partners
C) All business owners
D) Both limited and general partners
E) Both general partners and sole proprietors

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Accessibility : Keyboard Navigation
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Topic : Forms of business organization
AACSB : Reflective Thinking
Bloom's : Remember

22) Limited partners benefit from which of the primary advantages?

22) _____

A) They have the opportunity to earn tax-free income.
B) Their responsibility for the firm's debts is prorated based on their percentage of ownership.
C) They do not face any potential financial losses.
D) They have control over the administrative affairs of the partnership.
E) Their maximum loss cannot exceed the amount of their capital investment.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
Section : 1.2 Corporate Finance and the Financial Manager
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AACSB : Reflective Thinking

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23) A general partner:

23) _____

A) is personally responsible for 100 percent of the debts of the partnership.
B) is responsible for 80 percent of the firm's debts if he or she owns 80 percent of the partnership.
C) faces double taxation whereas a limited partner does not.
D) has a maximum loss equal to his or her equity investment.
E) receives a salary in lieu of a portion of the profits.

Question Details
Accessibility : Keyboard Navigation
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Difficulty : 1 Basic
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AACSB : Reflective Thinking
Bloom's : Remember

24) A limited partnership:

24) _____

A) has a limited tax liability.
B) can opt to be taxed as a corporation.
C) is the newest form of business organization.
D) must have at least one general partner.
E) consists solely of limited partners.

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Difficulty : 1 Basic
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Topic : Forms of business organization
AACSB : Reflective Thinking
Bloom's : Remember

25) A partnership with four general partners:

25) _____

A) distributes profits based on percentage of ownership.
B) has an unlimited life.
C) limits the active involvement in the firm to a single partner.
D) limits each partner's personal liability to 25 percent of the partnership's total debt.
E) must distribute 25 percent of the profits to each partner.

Question Details
Accessibility : Keyboard Navigation
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Bloom's : Understand
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Difficulty : 2 Intermediate
AACSB : Reflective Thinking

26) Which one of the following is a disadvantage of the corporate form of business?

26) _____

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A) Shareholders may experience limited liability.
B) Distributed profits may experience double taxation.
C) Raising capital may be more difficult than for other forms of business.
D) The firm may have unlimited life.
E) The firm may issue additional shares of stock.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
Section : 1.2 Corporate Finance and the Financial Manager
Topic : Forms of business organization
Difficulty : 2 Intermediate
AACSB : Reflective Thinking

27) Which one of the following statements regarding corporations is correct?

27) _____

A) The majority of firms in the U.S. are structured as corporations.
B) Undistributed corporate profits are taxable income to the shareholders.
C) Corporations can have an unlimited life.
D) Shareholders are protected from all potential losses.
E) Shareholders directly elect the chief financial officer.

Question Details
Accessibility : Keyboard Navigation
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Difficulty : 1 Basic
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Bloom's : Remember

28) Which one of the following statements is correct?

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28) _____

A) A general partnership is a legal person.
B) Taxable income earned by a partnership is treated as individual income.
C) Partnerships are the most complicated type of business to form.
D) All partnerships are required to have at least one limited partner.
E) Only firms organized as partnerships have limited lives.

Question Details
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Difficulty : 1 Basic
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Section : 1.2 Corporate Finance and the Financial Manager
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AACSB : Reflective Thinking
Bloom's : Remember

29) The articles of incorporation:

29) _____

A) describe the purpose of the firm and set forth the number of shares of stock that can be issued.
B) are amended periodically especially prior to corporate elections.
C) explain how corporate directors are to be elected and the length of their terms.
D) set forth the procedures by which a firm regulates itself.
E) include only the corporation's name and intended life.

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30) Corporate bylaws:

30) _____

A) must be amended should a firm decide to increase the number of shares authorized.
B) cannot be amended once adopted.
C) define the name by which the firm will operate.
D) describe the intended life and purpose of the organization.
E) determine how a corporation regulates itself.

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Bloom's : Remember

31) A limited liability company:

31) _____

A) can only have a single owner.
B) is comprised of limited partners only.
C) is taxed similarly to a partnership.
D) is taxed similarly to a C corporation.
E) generates totally tax-free income.

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Bloom's : Remember

32) Which form of business would be the best choice if it were necessary to raise large amounts of capital?

32) _____

A) Sole proprietorship
B) Limited liability company
C) Corporation
D) General partnership
E) Limited partnership

Question Details
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Bloom's : Understand
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Topic : Forms of business organization
Difficulty : 2 Intermediate
AACSB : Reflective Thinking

33) A _____ has all the respective rights and privileges of a legal person.

33) _____

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A) sole proprietorship
B) general partnership
C) limited partnership
D) corporation
E) limited liability company

Question Details
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Difficulty : 1 Basic
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Topic : Forms of business organization
AACSB : Reflective Thinking
Bloom's : Remember

34) Abigail, Blake and Camila plan to launch a business. Abigail will fund the venture but wants to limit her liability to her initial investment. She has no interest in the daily operations. Blake will contribute his full efforts on a daily basis but has limited funds to invest in the business. Camila will be involved as a consultant and manager and will also contribute funds. Blake and Camila are willing to accept liability for the firm's debts as they feel they have nothing to lose by doing so. All three individuals will share in the firm's profits and wish to minimize the initial costs of organizing the business. Which form of business entity should these individuals adopt?

34) _____

A) Sole proprietorship
B) Joint stock company
C) Limited partnership
D) General partnership
E) Corporation

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Difficulty : 2 Intermediate
AACSB : Reflective Thinking

35) Marissa and Raj are equal general partners in a business. They are content with their current management and tax situation but are uncomfortable with the idea of unlimited liability. If they wish to remain as the only two owners of the business, which form of business entity should they consider to replace their current arrangement?

35) _____

A) Sole proprietorship
B) Joint stock company
C) Limited partnership
D) Limited liability company
E) Corporation

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Difficulty : 2 Intermediate
AACSB : Reflective Thinking

36) The growth of both sole proprietorships and partnerships is frequently limited by the firm's:

36) _____

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A) double taxation.
B) bylaws.
C) inability to raise cash.
D) limited liability.
E) agency problems.

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Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
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Difficulty : 2 Intermediate
AACSB : Reflective Thinking

37) Corporate dividends represent:

37) _____

A) tax-free income for the recipient because they are distributions of pretax income.
B) tax-free income for the recipient because they are distributions of aftertax income.
C) pretax income from the corporation which becomes taxable income for the recipient.
D) taxable income for both the corporation and the shareholder, whether or not dividends are paid to shareholders.
E) aftertax income from the corporation which becomes taxable income for the recipient.

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AACSB : Reflective Thinking

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38) Financial managers should primarily focus on the interests of:

38) _____

A) themselves.
B) the vice president of finance.
C) their immediate supervisor.
D) shareholders.
E) the board of directors.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
AACSB : Reflective Thinking
Section : 1.3 Forms of Business Organization
Topic : Goal of financial management
Learning Objective : 01-02 Explain the goal of financial management.
Bloom's : Remember

39) Which one of the following best states the primary goal of financial management?

39) _____

A) Maximize current dividends per share
B) Maximize the current value per share
C) Avoid financial distress
D) Maximize profit
E) Maintain steady growth while increasing current profits

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Question Details
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Difficulty : 1 Basic
AACSB : Reflective Thinking
Section : 1.3 Forms of Business Organization
Topic : Goal of financial management
Learning Objective : 01-02 Explain the goal of financial management.
Bloom's : Remember

40) Which one of the following best illustrates that the management of a firm is adhering to the goal of financial management?

40) _____

A) An increase in the amount of the quarterly dividend
B) A decrease in the per unit production costs
C) An increase in the number of shares outstanding
D) A decrease in the net working capital
E) An increase in the market value per share

Question Details
Accessibility : Keyboard Navigation
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Bloom's : Understand
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Section : 1.3 Forms of Business Organization
Topic : Goal of financial management
Learning Objective : 01-02 Explain the goal of financial management.

41) Financial managers should strive to maximize the current value per share of the existing stock to:

41) _____

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A) ensure the company will grow in size at the maximum possible rate.
B) provide the greatest opportunity for employees to earn high salaries.
C) best represent the interests of the current owners of the firm.
D) increase the current dividends per share.
E) create the possibility of rewarding high-performing managers with shares of stock.

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Bloom's : Understand
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Section : 1.3 Forms of Business Organization
Topic : Goal of financial management
Learning Objective : 01-02 Explain the goal of financial management.

42) Decisions made by financial managers should primarily focus on increasing the:
42) _____

A) size of the firm.
B) growth rate of the firm.
C) gross profit per unit produced.
D) market value per share of outstanding stock.
E) total sales.

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Difficulty : 2 Intermediate
AACSB : Reflective Thinking
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Topic : Goal of financial management
Learning Objective : 01-02 Explain the goal of financial management.

43) The Sarbanes-Oxley Act of 2002 is a governmental response to:

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43) _____

A) decreasing corporate profits.
B) the terrorist attacks on 9/11/2001.
C) the harm caused to stock markets by SARS, MERS, COVID-19, and other pandemics.
D) deregulation of the stock exchanges.
E) management greed and abuses.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
AACSB : Reflective Thinking
Section : 1.3 Forms of Business Organization
Topic : Ethics, governance, and regulation
Bloom's : Remember

44) Which one of the following is an unintended result of the Sarbanes-Oxley Act?

44) _____

A) More detailed and accurate financial reporting
B) Increased management awareness of internal controls
C) Corporations delisting from major exchanges
D) Increased responsibility for corporate officers
E) Identification of internal control weaknesses

Question Details
Accessibility : Keyboard Navigation
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45) A firm that opts to "go dark" in response to the Sarbanes-Oxley Act:

45) _____

A) must continue to provide audited financial statements to the public.
B) must continue to provide a detailed list of internal control deficiencies on an annual basis.
C) can provide less information to its shareholders than it did prior to "going dark".
D) can continue publicly trading its stock but only on the exchange on which it was previously listed.
E) ceases to exist.

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Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
AACSB : Reflective Thinking
Section : 1.3 Forms of Business Organization
Topic : Ethics, governance, and regulation
Bloom's : Remember

46) The Sarbanes-Oxley Act of 2002 holds a public company's _____ responsible for the accuracy of the company's financial statements.

46) _____

A) managers
B) internal auditors
C) external legal counsel
D) internal legal counsel
E) Securities and Exchange Commission agent

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
AACSB : Reflective Thinking
Section : 1.3 Forms of Business Organization
Topic : Ethics, governance, and regulation
Bloom's : Remember

47) Which one of the following actions by a financial manager is most apt to create an agency problem?

47) _____

A) Refusing to borrow money when doing so will create losses for the firm
B) Refusing to lower selling prices if doing so will reduce the net profits
C) Refusing to expand the company if doing so will lower the value of the equity
D) Agreeing to pay bonuses based on the market value of the company's stock rather than on its level of sales
E) Increasing current profits when doing so lowers the value of the company's equity

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
Section : 1.4 The Goal of Financial Management
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Topic : Agency costs and problems

48) Which one of the following is *least* apt to help convince managers to work in the best interest of the stockholders? Assume there are no golden parachutes.

48) _____

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A) Compensation based on the value of the stock
B) Stock option plans
C) Threat of a company takeover
D) Threat of a proxy fight
E) Increasing managers' base salaries

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
Section : 1.4 The Goal of Financial Management
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Topic : Agency costs and problems

49) Agency problems are most likely to be associated with:

49) _____

A) sole proprietorships.
B) general partnerships.
C) limited partnerships.
D) corporations.
E) limited liability companies.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
Section : 1.4 The Goal of Financial Management
AACSB : Reflective Thinking
Bloom's : Remember
Topic : Agency costs and problems

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50) Which one of the following is an agency cost?

50) _____

A) Accepting an investment opportunity that will add value to the firm
B) Increasing the quarterly dividend
C) Investing in a new project that creates firm value
D) Hiring outside accountants to audit the company's financial statements
E) Closing a division of the firm that is operating at a loss

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
Section : 1.4 The Goal of Financial Management
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Topic : Agency costs and problems

51) Shareholders can replace company management by implementing:

51) _____

A) stock options.
B) promotions.
C) the Sarbanes-Oxley Act.
D) an agency play.
E) a proxy fight.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
Section : 1.4 The Goal of Financial Management
AACSB : Reflective Thinking
Topic : Shareholder voting
Bloom's : Remember

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52) Which one of the following grants an individual the right to vote on behalf of a shareholder?

52) _____

A) Proxy
B) Bylaws
C) Indenture agreement
D) Stock option
E) Stock audit

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
Section : 1.4 The Goal of Financial Management
AACSB : Reflective Thinking
Topic : Shareholder voting
Bloom's : Remember

53) Ultimately, the _____ control(s) the corporation.

53) _____

A) chair of the board
B) members of the board of directors
C) chief executive officer
D) chief operating officer
E) shareholders

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
Section : 1.4 The Goal of Financial Management
AACSB : Reflective Thinking
Topic : Shareholder voting
Bloom's : Remember

54) Which of the following parties are *not* considered stakeholders of a firm?

54) _____

A) Employees
B) Government
C) Competitors
D) Customers
E) Suppliers

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
Section : 1.4 The Goal of Financial Management
Topic : Introduction to corporate finance
AACSB : Reflective Thinking
Bloom's : Remember

55) Which one of the following would cause a cash outflow from a corporation?

55) _____

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A) Issuing new securities
B) Paying dividends
C) Taking out a loan from a bank
D) Receiving a tax refund from the government
E) Assigning common stock to employees

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Section : 1.5 The Agency Problem and Control of the Corporation
Topic : Cash flows

56) Which one of the following is a cash flow from a corporation into the financial markets?
56) _____

A) Borrowing of long-term debt
B) Payment of government taxes
C) Payment of loan interest
D) Issuance of corporate debt
E) Sale of common stock

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Section : 1.5 The Agency Problem and Control of the Corporation
Topic : Cash flows

57) Which one of the following is a primary market transaction?

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57) _____

A) Sale of currently outstanding stock by a dealer to an individual investor
B) Sale of a new share of stock from a corporation to an individual investor
C) Transfer of stock ownership from one shareholder to another shareholder
D) Gift of stock from one shareholder to a previous non-shareholder
E) Repurchase of stock by a corporation from a shareholder

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Section : 1.5 The Agency Problem and Control of the Corporation
Topic : Primary and secondary markets

58) Eduardo sold 500 shares of Northcutt Corporation stock on the New York Stock Exchange. This transaction:

58) _____

A) took place in the primary market.
B) occurred in a dealer market.
C) occurred in the secondary market.
D) involved a proxy.
E) was a private placement.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Section : 1.5 The Agency Problem and Control of the Corporation
Topic : Primary and secondary markets

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59) Public offerings of debt and equity must be registered with the:

59) _____

A) New York Board of Governors.
B) Federal Reserve.
C) NYSE Registration Office.
D) Securities and Exchange Commission.
E) Market Dealers Exchange.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
AACSB : Reflective Thinking
Section : 1.5 The Agency Problem and Control of the Corporation
Topic : Basics of issuing securities
Bloom's : Remember

60) Which one of the following statements is generally correct?

60) _____

A) Private placements must be registered with the SEC.
B) All secondary markets are auction markets.
C) Dealer markets have a physical trading floor.
D) Auction markets match buy and sell orders.
E) Dealers arrange trades but never own the securities traded.

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Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Section : 1.5 The Agency Problem and Control of the Corporation
Topic : Basics of issuing securities

61) Which one of the following statements concerning stock exchanges is correct?

61) _____

A) Nasdaq is a broker market.
B) The NYSE is a dealer market.
C) The exchange with the strictest listing requirements is Nasdaq.
D) Some large companies are listed on Nasdaq.
E) Most debt securities are traded on the NYSE.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Difficulty : 1 Basic
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
AACSB : Reflective Thinking
Section : 1.5 The Agency Problem and Control of the Corporation
Topic : Stock exchanges and markets
Bloom's : Remember

62) Symone sold shares of Naraghi Corporation stock to Aleena. The stock is listed on the NYSE. This trade occurred in which one of the following?

62) _____

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A) Primary, dealer market
B) Secondary, dealer market
C) Primary, auction market
D) Secondary, auction market
E) Secondary, OTC market

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Section : 1.5 The Agency Problem and Control of the Corporation
Topic : Stock exchanges and markets

63) Which one of the following statements is correct concerning the NYSE?

63) _____

A) The publicly traded shares of an NYSE-listed firm must be worth at least $250 million.
B) The NYSE is the largest dealer market for listed securities in the United States.
C) The listing requirements for the NYSE are more stringent than those of Nasdaq.
D) Any corporation desiring to be listed on the NYSE can do so for a fee.
E) The NYSE is an OTC market functioning as both a primary and a secondary market.

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-03 Articulate the financial implications of the different forms of business o
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Section : 1.5 The Agency Problem and Control of the Corporation
Topic : Stock exchanges and markets

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64) Which of the following actions would be most likely to decrease agency costs for the firm?

64) _____

A) Increase employees' salaries to exceed the salaries paid by competitors
B) Pay all employees based on the amount of revenue generated by the firm
C) Prohibit employees from becoming shareholders of the firm
D) Pay bonuses to employees only if profits increase from one year to the next
E) Reward high performing employees with shares of stock

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
Section : 1.4 The Goal of Financial Management
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Topic : Agency costs and problems

65) Which of the following actions would be considered an agency problem?

65) _____

A) An owner of a sole proprietorship takes company office supplies for personal use
B) Both partners in a general partnership close the office early one day to go skiing
C) A manager in a corporation buys shares of the company's stock when the price falls
D) A manager in a corporation makes online personal travel arrangements during work hours
E) A shareholder in a corporation sells shares of the company's stock when the price rises

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Fundamentals of Corporate Finance 13th Edition by Ross CH01

Question Details
Accessibility : Keyboard Navigation
Accessibility : Screen Reader Compatible
Bloom's : Understand
Learning Objective : 01-04 Explain the conflicts of interest that can arise between managers and owne
Section : 1.4 The Goal of Financial Management
Difficulty : 2 Intermediate
AACSB : Reflective Thinking
Topic : Agency costs and problems

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Fundamentals of Corporate Finance 13th Edition by Ross
CH01
Answer Key

Test name: CH01

1) B
2) E
3) C
4) B
5) E
6) D
7) E
8) C
9) B
10) A
11) D

12) E

13) A

14) A

15) B

16) C

17) C

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18) A

19) C

20) A

21) E

22) E

23) A

24) D

25) E

26) B

27) C

28) B

29) A

30) E

31) C

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32) C

33) D

34) C

35) D

36) C

37) E

38) D

39) B

40) E

41) C

42) D

43) E

44) C

45) C

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46) A

47) E

48) E

49) D

50) D

51) E

52) A

53) E

54) C

55) B

56) C

57) B

58) C

59) D

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60) D

61) D

62) D

63) C

64) E

65) E

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