

Question #1 of 38

Question ID: 1572686

An annuity will pay eight annual payments of \$100, with the first payment to be received one year from now. If the interest rate is 12% per year, what is the present value of this annuity?

- A) \$496.76.
 - B) \$1,229.97.
 - C) \$556.38.
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Question #2 of 38

Question ID: 1572680

A 15-year zero-coupon German government bond has an annualized yield of -1.5%. Assuming annual compounding, the price of the bond per €100 of principal is *closest* to:

- A) €125.
 - B) €115.
 - C) €105.
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Question #3 of 38

Question ID: 1572708

An investor purchases a stock on January 1. The annual dividend payments for a stock investment for the next four years, beginning on December 31, are \$50, \$75, \$100, and \$125. Based on the cash flow additivity principle, the present value of this series of cash flows will be equivalent to the present value of a \$50 annuity and the present value of what series of cash flows?

- A) \$0, \$0, \$125, and \$125.
 - B) \$75, \$50, \$25, and \$0.
 - C) \$0, \$25, \$50, and \$75.
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Question #4 of 38

Question ID: 1572689

Wortel Industries has preferred stock outstanding that paying an annual dividend of \$3.75 per share. If an investor wants to earn a rate of return of 8.5%, how much should he be willing to pay for a share of Wortel preferred stock?

- A) \$31.88.
 - B) \$44.12.
 - C) \$42.10.
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Question ID: 1572677

A bond pays annual coupon interest of £40 and returns its face value of £1,000 in five years. The bond's yield to maturity is 4.5%. Its price today is *closest* to:

- A) £946.
 - B) £978.
 - C) £957.
-

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Question ID: 1572690

An investor purchases a 10-year, \$1,000 par value bond that pays annual coupons of \$100. If the market rate of interest is 12%, what is the current market value of the bond?

- A) \$950.
 - B) \$887.
 - C) \$1,124.
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Question ID: 1572698

Assuming a constant rate of growth in dividends, we can estimate an equity share's:

- A) dividend yield as the sum of its required rate of return and its growth rate.

- B) growth rate as the sum of its dividend yield and its required rate of return.
 - C) required rate of return as the sum of its dividend yield and growth rate.
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Question ID: 1572682

A financial advisor recommends to her client that he buy a 6-year, \$1,000 face value bond that pays annual interest of 5%. The yield to maturity is 4.5%, and the client intends to hold the bond as an investment until it matures. The value of the bond today is *closest* to:

- A) \$1,000.
 - B) \$975.
 - C) \$1,025.
-

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Question ID: 1572695

An investor makes 48 monthly payments of \$500 each beginning today into an account that will have a value of \$29,000 at the end of four years. The stated annual interest rate is *closest* to:

- A) 10.00%.
 - B) 9.00%.
 - C) 9.50%.
-

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Question ID: 1572678

A perpetual bond with a face value of \$100,000 pays annual interest of 5%. The bond is quoted at a yield of 7%. The bond's price is *closest* to:

- A) \$140,000.
 - B) \$71,500.
 - C) \$98,100.
-

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Question ID: 1572681

An investor pays \$726.27 for a zero-coupon bond with a face value of \$1,000 and maturing in 10 years. Bonds with similar risk profiles and with similar terms yield 3.00%. The yield to maturity for this bond is *closest* to:

- A) 3.25%.
 - B) 2.75%.
 - C) 3.00%.
-

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Question ID: 1572703

An analyst is using the constant growth dividend discount model (DDM) to evaluate XYZ stock. The stock is currently trading at \$20 per share and recently paid an annual dividend of \$1.50. Assuming a constant growth rate of 4.5%, the implied required rate of return on the stock is *closest* to:

- A) 12.00%.
 - B) 12.34%.
 - C) 11.68%.
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Question ID: 1572700

An investor spends \$365,000 purchasing zero-coupon bonds with a total face value of \$500,000 and maturing in 10 years. For the annualized rate of return to be above 3.20%, the bond's price will have to be:

- A) equivalent to \$365,000.
 - B) lower than \$365,000.
 - C) higher than \$365,000.
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Question ID: 1572683

A bond with a 10-year maturity has a face value of \$10,000 and pays annual interest of \$600. The bond is issued at a price of \$9,500. The bond's yield to maturity will be:

- A)** greater than 6%.
 - B)** equal to 6%.
 - C)** less than 6%.
-

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Question ID: 1572696

A pure discount instrument with a face value of ¥500 million matures nine years from today and has a current price of ¥350 million. The instrument's annualized yield is *closest* to:

- A)** 3.3%.
 - B)** 4.7%.
 - C)** 4.0%.
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Question ID: 1572702

An investor looks at her monthly brokerage statement and notices that the yield to maturity on her 5-year corporate bond with a 4% annual coupon rate has gone from 4.2% last month to 3.8% this month. The statement will reflect a bond price that, over the last month, has:

- A)** decreased.
 - B)** remained flat.
 - C)** increased.
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Question ID: 1572693

Given a 5% discount rate, the present value of \$500 to be received three years from today is:

- A)** \$400.
- B)** \$432.
- C)** \$578.

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Question ID: 1572710

An investor is deciding whether to buy a 1-year bond two years in a row or lock in the rate on a 2-year bond today. The 1-year spot interest rate is 5.25%, and the 2-year spot interest rate is 6.50%. Which of the following statements is *most accurate* regarding implied forward rates and the investor's options?

- A)** The expected rate on a 1-year bond one year from today is equal to 7.76%.
 - B)** The forward rate will be between 5.25% and 6.50%.
 - C)** The investor is better off locking in the 2-year rate at 6.50%.
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Question ID: 1572707

Assume that one- and two-year risk-free rates are 1.80% and 2.50%, respectively. Using the cash flow additivity principle, the one-year reinvestment rate, one year from now is *closest* to:

- A)** 2.8%.
 - B)** 3.2%.
 - C)** 3.5%.
-

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Question ID: 1572684

An equity investor has a required return of 7% and purchases preferred stock with a \$50 per share par value and an annual dividend of \$3.20. The value of the preferred stock is *closest* to:

- A)** \$46.
 - B)** \$50.
 - C)** \$43.
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Question #21 of 38

Question ID: 1572679

A stock is expected to pay a dividend next year of \$2.40. An analyst expects the dividend to grow at a constant annual rate of 4% and believes investors' required rate of return on the stock is 7%. The analyst will estimate a value for this stock that is *closest* to:

- A) \$85.60.
 - B) \$80.00.
 - C) \$83.20.
-

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Question ID: 1572691

Given investors require an annual return of 12.5%, a perpetual bond (i.e., a bond with no maturity/due date) that pays \$87.50 a year in interest should be valued at:

- A) \$70.
 - B) \$700.
 - C) \$1,093.
-

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Question ID: 1572685

To determine whether the current price of a common stock is aligned with its intrinsic value, an analyst wants to use the Gordon growth model. To appropriately apply the model, the analyst will need to estimate:

- A) the dividend to be received next year.
 - B) a fluctuating growth rate assigned to dividends.
 - C) a growth rate that is above the required return.
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Question ID: 1572674

Bill Jones is creating a charitable trust to provide six annual payments of \$20,000 each, beginning next year. How much must Jones set aside now at 10% interest compounded annually to meet the required disbursements?

- A) \$154,312.20.
 - B) \$87,105.21.
 - C) \$95,815.74.
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Question ID: 1572705

Given the following cash flow stream:

End of Year	Annual Cash Flow
1	\$4,000
2	\$2,000
3	-0-
4	-\$1,000

Using a 10% discount rate, the present value of this cash flow stream is:

- A) \$3,636.00.
 - B) \$4,606.00.
 - C) \$3,415.00.
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Question ID: 1572711

Assuming the 1-year riskless interest rates on the U.S. dollar and British pound are 3.5% and 4.0% respectively, the forward exchange rate between the two currencies will be different than the spot rate by approximately:

- A) 0.50%.
- B) 3.75%.
- C) 7.50%.

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Question ID: 1572688

Compute the present value of a perpetuity with \$100 payments beginning four years from now. Assume the appropriate annual interest rate is 10%.

- A) \$683.
 - B) \$751.
 - C) \$1,000.
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Question ID: 1572701

A 5-year, 8% coupon bond with a par value of \$1,000 pays interest annually. The price is \$942.50, and the yield to maturity is 9.50%. If the price of the bond moves to \$963.75, the yield to maturity will be closest to:

- A) 10.07%.
 - B) 8.55%.
 - C) 8.93%.
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Question ID: 1572694

A share of George Co. preferred stock is selling for \$65. It pays a dividend of \$4.50 per year and has a perpetual life. The rate of return it is offering its investors is *closest* to:

- A) 6.9%.
 - B) 4.5%.
 - C) 14.4%.
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Question ID: 1572706

An investor with USD1,000,000 is undecided between two mutually exclusive opportunities with the following cash flows:

	Time 0	Time 1	Time 2	Time 3
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Opportunity 1 -1,000,000 500,000 500,000 500,000

Opportunity 2 -1,000,000 400,000 500,000 600,000

The investor's required return is 11% per year. Which opportunity should the investor choose?

- A) The investor should be indifferent between the two opportunities.
 - B) The investor should choose Opportunity 1.
 - C) The investor should choose Opportunity 2.
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Question ID: 1572675

A pure discount instrument with a face value of ¥100 million matures 12 years from today. If its yield to maturity is 3%, its price today is *closest* to:

- A) ¥71 million.
 - B) ¥70 million.
 - C) ¥72 million.
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Question ID: 1572704

Using a constant growth dividend discount model (DDM), an analyst assumes a required return on equity of 9.75%. The current stock price is \$30 per share, and the next period's dividend is \$2.40 per share. The constant growth rate implied in the model is *closest* to:

- A) 1.75%.
- B) 1.89%.
- C) 1.83%.

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Question ID: 1572692

An investment product promises to pay a lump sum of \$25,458 at the end of 9 years. If an investor feels this investment should produce a rate of return of 14%, compounded annually, the present value is *closest* to:

- A) \$9,426.00.
 - B) \$7,618.00.
 - C) \$7,829.00.
-

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Question ID: 1572709

An investor is choosing between two possible investments. Both have identical future cash flows in all situations, but the investor notices a slight discrepancy in price between the two. What action will this investor take based on the no-arbitrage principle?

- A) Wait for the prices to further diverge, then sell the higher-priced investment.
 - B) Do nothing, as there cannot be a price divergence based on the rule.
 - C) Act quickly by buying the lower-priced investment, as the prices will quickly converge.
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Question ID: 1572699

Abeta's stock is trading at \$47. Abeta just paid a dividend of \$1.50, and markets assume a constant growth rate in dividends of 4%. Abeta's required return on equity is *closest* to:

- A) 8.1%.
 - B) 6.5%.
 - C) 7.3%.
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Question ID: 1572697

A bond pays annual coupon interest of £60 and returns its face value of £1,000 in seven years. The bond's price today is £1,045. Its yield to maturity is *closest* to:

- A) 5.2%.
 - B) 6.8%.
 - C) 6.0%.
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Question ID: 1572687

A loan of \$15,000 is to be paid off in monthly payments over 5 years at 12% annual interest. What is the amount of each payment?

- A) \$334.
 - B) \$1,802.
 - C) \$4,161.
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Question ID: 1572676

A pure discount instrument with a face value of €1 million matures eight years from today. If its yield to maturity is -1.5%, its price today is *closest* to:

- A) €1.13 million.
- B) €0.98 million.
- C) €0.89 million.