

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 #5 of 38

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.
-

Question #6 of 38

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 #7 of 38

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.

Question #8 of 38

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.

Question #9 of 38

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%.

Question #10 of 38

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.

Question #11 of 38

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%.
-

Question #12 of 38

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 #13 of 38

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 #14 of 38

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%.
-

Question #15 of 38

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 #16 of 38

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.
-

Question #17 of 38

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.

Question #18 of 38

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 #19 of 38

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%.
-

Question #20 of 38

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.
-

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.
-

Question #22 of 38

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 #23 of 38

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 #24 of 38

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 #25 of 38

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 #26 of 38

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%.

Question #27 of 38

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 #28 of 38

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 #29 of 38

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 #30 of 38

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 #31 of 38

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 #32 of 38

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%.

Question #33 of 38

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.
-

Question #34 of 38

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 #35 of 38

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 #36 of 38

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 #37 of 38

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 #38 of 38

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.