FINN2300
Online Final Exam

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Proposal generation ⬍ Proposals for new investment projects are made at all levels within a business organization and are reviewed by finance personnel.

Follow-up ⬍ Results are monitored and actual costs and benefits are compared with those that were expected. Action may be required if actual outcomes differ from projected ones. Following approval, expenditures are made and projects implemented ⬍ . Expenditures for a large project often occur in phases. Firms typically delegate capital expenditure decision making ⬍ on the basis of dollar limits.

Financial managers ⬍ perform formal review and analysis ⬍ to assess the merits of investment proposals

XY company has this information. **Calculate the Profitability Index**

Year 0 cash outflow: $10,400,000

Years 1 to 4 cash inflow: $2,600,000 each year

Year 5 cash outflow: $1,200,000

Years 6 – 8 cash inflow: $750,000 each year

The appropriate discount rate for the project is 12%.

اما إذا كان الجواب كله نسبة بدون رقم صحيح مثل 776688. فان عليك كتابتها على النحو الاتي: 77. ومثال اخر 700000. فان عليك كتابتها على النحو الاتي: 70. ومثال اخر 55:56% فان عليك كتابتها على النحو الاتي: 55. يجب ان تستخدم اول أربع خانات ليس تقريب ولا توضع اشارة نسبة في الجواب.

Answer: .92

XZ, Inc. is currently considering an eight-year project that has an initial outlay or cost of $40,000. The cash inflows from its project for years 1 through 2 are the same at $30,000. XZ has a discount rate of 12%. Because there is a shortage of funds to finance all good projects, XZ wants to compute the profitability index (PI) for each project. That way XZ can get an idea as to which project might be a better choice. What is the Profitability Index for XZs current project?

Select one:

- a. About 1.27
- b. About 1.267
- c. About 1.09
- d. About 1.24

Which of the statements below is FALSE?

Select one:

- a. If a company has constrained capital, then it can only take on a limited number of projects.
- b. Two projects are mutually exclusive if the acceptance of one project has no bearing on the acceptance or rejection of the other project.
- c. Projects are mutually exclusive if picking one project eliminates the ability to pick the other project.
- d. The NPV decision criterion is true when all projects are independent and the company has a sufficient source of funds to accept all positive NPV projects

Suppose $70,000 can be invested in 2 separate investments with the following cash flows:

	Investment A	Investment B
Year 0	$(70,000)	$(70,000)
Year 1	35,000	5,000
Year 2	35,000	5,000
Year 3	20,000	60,000
Year 4	0	35,000

What is the payback period for B?

اذا كان جواب 5.5 سنة يجب كتابتها 5

Answer: 3

XZ Inc. is considering a five-year project that has an initial after-tax outlay or after-tax cost of $80,000. The respective future cash inflows from its project for years 1, 2, 3, 4 and 5 are: $15,000, $25,000, $35,000, $45,000 and $55,000. Frameworks uses the net present value method and has a discount rate of 9%. What is NPV for the project?

إجابات أسئلة الحل سوف تكون مجردة على سبيل المثل كانت الإجابة $14,660.89 فان عليك كتابتها على النحو الاتي: 14660 فقط بدون إشارة الفاصلة ولا إشارة العملة وبدون فاصلة عشرية

Answer: 49455

Which of the statements below is TRUE of the payback period method?

Select one:

- a. It ignores the cash flow after the initial outflow has been recovered.
- b. It focuses on cash flows after the initial outflow has been recovered.
- c. It incorporates time-value-of-money principles.
- d. It is biased against projects with early-term payouts.

A project generates the following cash flows;

Beginning of years:

1 – ($100,000) (contractors' fees)

2 – ($200,000) (contractors' fees)

3 – ($200,000) (contractors' fees)

End of Year 3 : $890,000 (sales)

Calculate the NPV of the project using a risk discount rate of 20% per year.

Answer: 91242

which of the statements below describes the IRR decision criterion?

Select one:

- a. is to accept a projects if the NPV is positive
- b. the decision crieterion is to accept the project if the IRR falls below the desired or required return rate
- c. reject a project if the IRR exceeds the desired or requires return rate
- d. is to accept a project if the IRR greater than the required return rate

Assume that a company invests cash of $1,000,000 in new project. The cash savings from the new project is expected to be $100,000 per year for 10 years. What is the *The payback period?*

Select one:

- a. 9 years
- b. 13 years
- c. 11 years
- d. 10 years

--------------- are projects whose cash flows are unrelated to one another; the acceptance of one does not eliminate the others from further consideration.

Select one:

- a. ranking approach
- b. Independent projects
- c. accept–reject approach
- d. Mutually exclusive projects

NY company wants to expand its business and so it is willing to invest $10,00,000. The investment is said to bring an inflow of $ 100,000 in first year, 250,000 in the second year, 350,000 in third year, 265,000 in fourth year and 415,000 in fifth year.Assuming the discount rate to be 9%.Calculate NPV ?

Answer: 29881

Suppose a certain project costs $900,000 up front, but after that it will generate net cash inflows each year of $110,000. If the firm's cost of capital is 8.5%, What is the Economic Value Added?

Answer: 33500

To be considered acceptable, a project must have an NPV greater than 1.0.

Select one:

- ○ True
- ◉ False