BJ01 Introduction to Business Finance Version 1

Section: Business & Finance • **Total Questions:** 10 • **Format:** Verified Q&A

1. What does the cash ratio emphasize when comparing the cash ratio to both the current ratio and the quick ratio?

(A) Profit margins
(B) Market valuation
(C) Immediate liquidity
(D) Asset turnover

2. What is a dealer market?

(A) A market where all buy and sell orders are aggregated in a centralized mechanism to increase efficiencies
(B) A market where commodities are bought and sold to permit hedging of risk to both the buyer and the seller
(C) A market where transactions are facilitated by market makers who buy and sell securities for their own accounts
(D) A market where government bonds are traded in a blockchain-centered platform for transparency

3. An automobile collector buys an antique car today for $70,000. The collector expects the car to appreciate at the rate of 4% annually for the next 8 years, at which time the collector plans to sell the car for approximately $95,800. Which error was made if the collector can only sell the car for $80,000 in 8 years?

(A) Compounding rate was too high
(B) Discount rate was too high
(C) Compounding rate was too low
(D) Discount rate was too low

4. Which description illustrates an annuity?

(A) Payment by credit card customer on their purchases from last month
(B) Monthly payments by customers to a cell phone provider for services on a 2-year contract
(C) Purchase of inventory by a manufacturing firm for use over multiple periods
(D) One-time purchase of a cell phone at the beginning of a 2-year service agreement

5. What happens to the future value of a series of payments when the compounding frequency increases?

(A) It stays the same, only decreases in the rate will impact future value.
(B) It decreases.
(C) It increases.
(D) It stays the same, only increases in the rate will impact future value.

6. What does a high total asset turnover ratio suggest about a company's operational efficiency?

(A) Reduced sales efficiency
(B) Limited asset utilization
(C) Inefficient revenue generation
(D) Effective asset utilization

7. A financial analyst specializing in grocery stores notes that grocery chains have betas between .47 and .61. What does the analyst know about the grocery industry?

(A) Grocery chains have lower debt than most other types of firms.
(B) Grocery chain performance is less volatile than the general market.
(C) Grocery chains have higher profits than most other types of firms.
(D) Grocery chain performance is more volatile than the general market.

8. A software company is evaluating a potential investment in a new product line. The company's cost of capital is 12%, and management must decide whether this project is worth pursuing based on its profitability. Analysts are currently calculating this project's internal rate of return (IRR). Which IRR would indicate that this is a profitable project?

(A) 12%
(B) 14%
(C) 10%
(D) 8%

9. Which institution is an example of a depository institution?

(A) Hedge fund
(B) Mutual fund
(C) Commercial bank
(D) Insurance company

10. What are the primary purposes of financial derivatives?

(A) To pay dividends to shareholders or allow for the reinvestment of dividends

(B) To provide ownership in companies or provide voting options for shareholders

(C) To hedge against risks or speculate on the future price movements

(D) To issue government debt or refinance previously-issued government debt