

**FinCoach Test – Finance 320**  
**Open Notes – Closed Book – Choose Closest Answer**  
**Student Must Return this Examination In Order to Receive Credit**

1. Calculate the future value of \$1,660 invested at 7.3% for four years.
  - a. 2,420
  - b. 1,540
  - c. 2,200
  - d. 1,760
  
2. Compute the future value of \$570 if the appropriate rate is 13.0% if interest is compounded every month and you invest the money for one year.
  - a. 649
  - b. 584
  - c. 778
  - d. 843
  
3. If an investment at rate 9.6% pays you \$1,393 after two years, what is its present value?
  - a. 1,508
  - b. 1,044
  - c. 1,160
  - d. 1,392
  
4. If an investment at an annual rate of 13.6% compounded every month pays you \$2,431 after three years, what is its present value?
  - a. 1,134
  - b. 2,106
  - c. 1,782
  - d. 1,620
  
5. Glen Allaway proposes to invest \$1,300 today and expects to accumulate \$1,539 in two years. What is the underlying rate of return on the investment?
  - a. 10.6%
  - b. 11.4%
  - c. 9.7%
  - d. 8.8%
  
6. If the discount rate is 11.2%, find the future value of \$10,440 invested every year for 20 years with the first payment made one year from now.
  - a. 548,687
  - b. 480,101
  - c. 617,273
  - d. 685,859

V FinCoach Sample Test.rtf  
Test Form C

7. Calculate the future value of an annuity of \$9 invested every week at 10.4% compounded every week for 2 years starting one week from now.
  - a. 1,351
  - b. 1,143
  - c. 1,039
  - d. 1,247
  
8. Find the present value of \$12,840 invested every year at 13.5% for 19 years starting one year from now.
  - a. 112,495
  - b. 103,842
  - c. 86,535
  - d. 77,881
  
9. If the discount rate is 7.5% compounded every quarter, what is the present value of \$105 invested every quarter for 2 years with the first payment made one quarter from now?
  - a. 619
  - b. 773
  - c. 541
  - d. 696
  
10. Sarah Spry plans to save \$700 every month for 11 years and expects to accumulate \$174,888 in the retirement fund by the end. What is the annual percentage rate of return on the savings?
  - a. 11.8%
  - b. 10.7%
  - c. 7.5%
  - d. 8.6%
  
11. Mary Ann Sue just made a payment of \$118,347 for an RV by borrowing the amount. The amount is to be repaid in installments of \$13,200 every year starting next year. How much time will it take to repay the amount if the appropriate annual rate is 7.8%?
  - a. 14 years
  - b. 13 years
  - c. 16 years
  - d. 11 years

12. Vipula De Silva has just bought a boat by taking an unconventional 13 year, \$82,884 mortgage from the bank. The interest rate is 7.5%. The mortgage is to be paid off by payments made every year starting next year. How much does Vipula De Silva have to pay every year to repay the mortgage?
- a. 10,200
  - b. 7,140
  - c. 9,180
  - d. 8,160
13. What is the present value of \$876 received every year forever starting one year from now at 11.7%?
- a. 9,733
  - b. 7,487
  - c. 8,985
  - d. 8,236
14. How much should Adyemi Banjo pay for 300 shares of a stock which are expected to pay a total dividend of \$804 next year and future dividends that grow at an annual rate of 6.0%, paid every year, if the appropriate rate of return on the stock is 7.8%?
- a. 35,733
  - b. 31,267
  - c. 44,667
  - d. 40,200
15. Capital Corporation has issued 12 year maturity, \$1000 par value bonds with a coupon rate of 8.99% and semi-annual coupon payments. Similar bonds issued by other companies earn an annual return rate of 9.70%. What is the market price of Capital's bonds?
- a. 950.29
  - b. 1,045.32
  - c. 935.38
  - d. 1,140.35
16. A \$1000 par value bond with 11 years to maturity sells for \$1,080.44. Investors require a return of 9.96% on similar bonds. If the bond pays semi-annual coupon payments, what is the annual coupon rate on the bonds?
- a. 8.94%
  - b. 7.83%
  - c. 11.18%
  - d. 10.06%

y

17. Suppose you read in the Wall Street Journal that a bond with face value \$1000 has an annual coupon rate of 9.05% and a price of \$857.66. What is the bond's current yield?
- 7.39%
  - 10.55%
  - 9.50%
  - 8.44%
18. Your firm is planning a 26 year bond issue. The \$1000 par value bonds will pay a semi-annual coupon of \$58.05. The investment bankers that you have retained for the bond issue estimate that the bonds will sell for \$1,158.72. What is the rate of return that your firm is paying on the bonds?
- 6.93%
  - 9.90%
  - 11.88%
  - 12.87%
19. Analysts' forecasts indicate that Atwood City Plant will pay a dividend of \$3.952 next year. They expect dividends to grow at 6.80% per year forever. What should the price of Atwood City Plant's stock be if investors require an annual return of 12.88% on it?
- 58.49
  - 51.99
  - 64.99
  - 45.50
20. An annual dividend of \$5.50 was just paid by Chromatic Research. The required return on Chromatic Research's stock is 15.79%. If dividends are expected to grow annually at 3.22% at what price should Chromatic Research's stock be selling?
- 58.71
  - 45.16
  - 49.68
  - 54.20
21. Quality Plus Inc. has experienced a steady growth of 3.39% per year in its annual dividend. This growth is expected to continue indefinitely. The last dividend paid was \$4.15 per share. If shares of Quality Plus Inc. are currently selling for \$38.14, what is the required rate of return on the stock?
- 17.57%
  - 16.10%
  - 14.64%
  - 19.03%

22. Stock of John Beere is selling for \$49.44 per share. John Beere is expected to pay a dividend of \$5.296 per share, and the required return on similar stocks is 16.62%. Assuming that John Beere's dividends will grow at a constant rate in the future, estimate the growth rate.
- a. 5.91%
  - b. 7.09%
  - c. 4.14%
  - d. 7.68%
23. MacroWare's economists have determined that State 1 in the market will occur with a 25% probability, that State 2 will occur with a 16% probability, and that State 3 will occur with a 59% probability. If the return on MacroWare will be 16.86% in State 1, 7.39% in State 2, and 11.21% in State 3, what is the expected return on MacroWare stock?
- a. 15.6%
  - b. 12.0%
  - c. 13.2%
  - d. 14.4%
24. The treasurer at ABC Laboratories is trying to determine the expected return on equity for the firm. The stock's beta is 1.053, the current T-bill rate is 5.47%, and the expected market return is 14.83%. What is the expected return for ABC Laboratories stock?
- a. 16.9%
  - b. 15.3%
  - c. 19.9%
  - d. 18.4%
25. Stock in Howard Solid State Electronics Center has a beta of 0.889. The expected return on the stock is 15.53% and Treasury bills yield 6.85%. What is your best estimate of the market risk premium?
- a. 7.8%
  - b. 6.8%
  - c. 9.8%
  - d. 8.8%

V FinCoach Sample Test.rtf  
Test Form C