

## MODULE 1 EXAM, SPRING 2021

1. The "4% rule" suggests that retired persons withdraw 4% per year of their retirement funds. Based on this rule, a person who wishes to retire on \$50,000 per year would need what level of total retirement savings at retirement?
  - A. 4% per year
  - B. \$1.25m
  - C. \$2.5m
  - D. \$2,000
  
2. The focus company, Amazon.com, has a current equity market capitalization of more than \$1.5 trillion dollars. Looking at Amazon's current and historical data, what is the most convincing reason for investor confidence in Amazon?
  - A. High and sustained record of revenue growth
  - B. Extremely high margins, compared to other tech companies such as Apple
  - C. Extremely high asset turnover, compared to other retailers such as Walmart
  - D. Large dollar value of tangible assets providing comprehensive asset backing to the equity
  
3. The 10 year US treasury bond interest rate or yield is closest to:
  - A. 1%
  - B. 3%
  - C. 5%
  - D. 7%
  
4. Which of the following would be classified as a current asset?
  - A. Accounts payable
  - B. Equipment
  - C. Cash
  - D. Goodwill

Use the following information on Annie Oakley Incorporated (AOI) to answer the 2 questions: (Note: due to limitations of the system, these questions may have been served apart)

Average stockholders' equity	\$5,000	Net income	\$4,000
Average total assets	\$20,000	Sales	\$40,000
Current assets	\$8,000	Total liabilities	\$16,000
Current liabilities	\$2,000		

5. What is the **Asset Turnover** of AOI?
  - A. 0.5
  - B. 2
  - C. 4
  - D. 5
  
6. What is the Current Ratio of AOI?
  - A. 0.5
  - B. 2
  - C. 4
  - D. 8
  
7. GameStop Corporation has 68.75 million shares of common stock outstanding. It has no other equity shares, and pays no cash dividends. GameStop has total debt outstanding of \$162m. If the stock price today for GameStop is \$243.67, what is the equity market capitalization of GameStop in millions of dollars? (values may vary)
  
8. Which stock price index is most indicative of small company stocks?
  - A. Russell 2000
  - B. S&P 500
  - C. NASDAQ
  - D. Dow Jones Industrial Average

9. SpecialiChee Inc (SCI) locates some fine cheese from Switzerland called Gruyère. Specialichee purchases \$3000 worth of the cheese in January, arranging to pay suppliers in February. In February, SCI sells two thirds of the cheese at a 100% markup. The remaining cheese is sold in March at a 50% markup. Customers pay cash.

What is the revenue for each month of the first quarter?

January      February      March

- A. January: zero; February: \$4,000; March: \$2,000
- B. January: -\$3000; February: \$4,000; March: \$1,500
- C. January: zero; February: \$1,000; March: \$1,500
- D. January: zero; February: \$4,000; March: \$1,500

10. Zumbun (Wall Street Journal) suggests that cutting government debt won't be easy. What does the example of Japan show us, according to the article?

- A. High government debt can cause deflation
- B. It is essential that central banks do not own government debt
- C. Government debts can rise for a long time, without sparking a fiscal crisis.
- D. 200% of GDP is the absolute upper limit for government debt, if a fiscal crisis is to be avoided

11. Michael Richman has \$4,448,000 total savings. As a minimum, how many individual bank companies should he spread the savings between, to make sure that it is all insured by the FDIC? (savings may vary)

12. The Neil Irwin article "Is Inflation About to Take Off? That's the Wrong Question" states that US household savings in 2020 have increased by \$1.56 trillion more than in 2019. What does Irwin suggest as a possible result, if people become more confident in the economy and spend their savings?

- A. A broad based surge of demand across a wide range of industries
- B. A recovery in prices in a limited number of industries such as garments and airlines
- C. A recovery in demand in a limited number of industries such as restaurants and hotels
- D. Increasing use of stock brokers (such as Robinhood etc.) to invest in the stock market

13. Venezuela (under the leadership of President Maduro) has suffered several bouts of hyperinflation (very high inflation of prices) in recent years. When Professor Briginshaw says “Maduro didn’t go into the office one day and say – ‘Let’s have some hyperinflation’ “, what point is he making?

- A. Although Maduro wanted hyperinflation, he was not able to cause it from the office, but needed to take to the streets
- B. The Venezuelan government’s actions had no influence on the hyperinflation
- C. Hyperinflation benefits retired persons on fixed incomes
- D. Hyperinflation was an unintended consequence of the Venezuelan government’s policies under Maduro

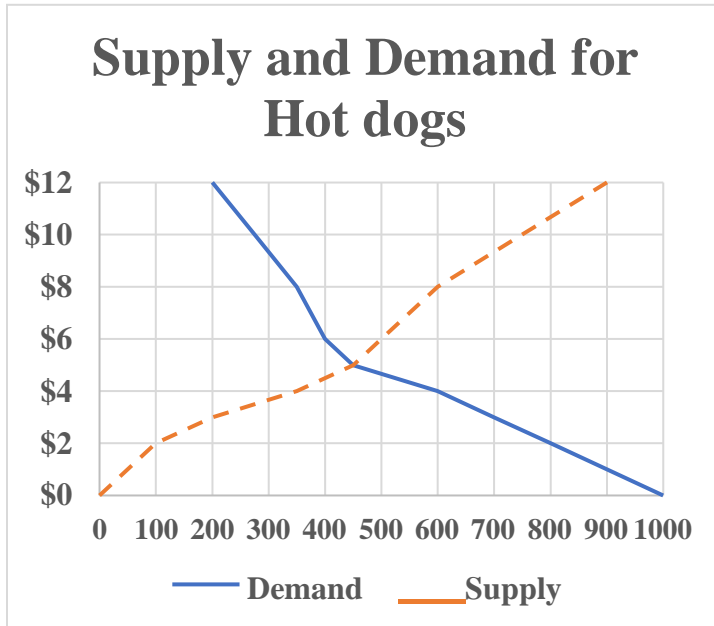
14. What is profit?

- A. Difference between revenues and expenses
- B. Revenue generated by goods and services
- C. Total money taken in by a corporation
- D. Increases in a corporation's stock price
- E. Increases in income from year to year

15. A company is established with \$1,000 of stockholder's equity and \$500 of debt (liabilities). Unfortunately, the company fails and the total assets are sold for \$300. If the rules of financial seniority are strictly applied, what will stockholders and debtholders receive?

- A. Debtholders will receive \$300 and stockholders will receive zero
- B. Stockholders will receive \$200 and debtholders will receive \$100
- C. Debtholders will receive \$300 and stockholders will receive the par value of their shares
- D. Stockholders will receive \$300 and debtholders will receive zero

16. Please examine the below supply and demand graph for standard hot dogs during January 2020 in an isolated town. The total revenue for the month across all hot dog suppliers is closest to...



- A. \$2,450
- B. \$2,250
- C. \$0
- D. \$1,600

17. Amazon's 6/30/2020 10-Q has the following information:

- Cash flow from Operating Activities: \$20,606m
- Revenues: \$88,912m
- Net income: \$4,446m
- Total Assets: \$258,314m

What is the PROFIT MARGIN of Amazon for the quarter?

- A. 5.8%
- B. 5.0%
- C. 6.6%
- D. 4.2%

18. The use of special knowledge about a firm, which results in an unfair advantage or generates profit or other types of gain, is known as what?
- A. Equity financing
  - B. Prospectus information
  - C. Market capitalization
  - D. Insider trading
19. In 2008 the rate of exchange for one euro was \$1.57, currently the exchange rate is \$1.20 per Euro. Who would have most benefited from this change in exchange rates?
- A. French exporters selling into the USA
  - B. US exporters selling into France
  - C. US hotel companies
  - D. French vacationers visiting the US
20. A product manager taking key pricing and production decisions with a company would rely most for information on which accounting system...?
- A. The company's 10-K reports
  - B. The company's financial accounting system
  - C. The company's forensic accounting system
  - D. The company's managerial accounting system
21. A basket of goods cost \$100 on January 1st, 2018. Suppose Inflation during 2018 is -2.4% (i.e. in 2018 there is deflation (prices fall)). Then, inflation is 7.6% in 2019. What is the price of the basket of goods at the end of 2019? (values may vary)

22. Which of the following assets is an INTANGIBLE asset?
- A. Equipment
  - B. Goodwill
  - C. Cash
  - D. Inventory
23. Which of the following describes the additional earning capacity on an initial investment as interest payments accumulate and earn even more interest?
- A. Interest
  - B. Market value
  - C. Compound growth or compounding
  - D. Discounted cash flow
  - E. Rule of 72
24. Stocks have which advantage over bonds?
- A. They have a lower seniority than bonds in liquidation
  - B. They are a more safe investment than bonds
  - C. Legally, stockholders are guaranteed to receive at least their par value
  - D. They have a residual claim if the company performs well, and own part of the profits of the company
25. What did Professor Briginshaw describe as Amazon.com's "secret weapon"?
- A. Amazon Prime
  - B. AWS (Amazon Web Services)
  - C. Domestic retail
  - D. International retail

26. A company has current sales revenues of \$1,634.1 million and current profit margin of 1.7%, and expected revenue growth of 15.4% per year for the next 10 years. If its profit margin in 10 years will be double its current margin, what is its projected profit in 10 years? Ignore taxes. (values may vary).
27. Which of the following is included in both the M-1 and M-2 money supply measures?
- A. Stocks
  - B. Money market accounts
  - C. Checking account balances
  - D. Time deposits
28. A payment of \$2310 is to be received in 3 years. The interest rate is 5.7%. What is the present value of the future payment? (values may vary)
29. Tracy is running a lemonade stand. Her fixed costs are \$11 per day. The unit contribution margin for each glass of lemonade is 25 cents. In order to make enough for her college fund, Tracy needs to earn \$6 per day of profit. How many glasses of lemonade does Tracy have to sell per day to meet her target profit? Ignore taxes. (values may vary)
30. Which of the following bodies requires firms to file disclosures so potential investors have valid information?
- A. Financial Accounting Standards Board



- B. Association of Certified Fraud Examiners
- C. Securities and Exchange Commission
- D. Accounting Disclosure Board

31. How do independent CPAs (certified public accountants) or CPA firms ensure a company's financial reports really represent its operations?

- A. By acting as advisory to senior management
- B. By reviewing GAAP standards
- C. Through the filing of tax information
- D. By acting as consultants to noncertified accountants
- E. By conducting an audit

32. Which of the following terms refers to the recording of financial transactions?

- A. Bookkeeping
- B. Budgeting
- C. Auditing
- D. Controlling
- E. Finance

33. Which of the following is a consequence of the divisibility characteristic of money?

- A. Units of money do not expire after a certain time limit.
- B. Units of money can be accurately matched with the value of goods.
- C. Units of money are easily carried.
- D. Units of money have relatively stable value.
- E. Units of money of different nations are easily converted to other units of money.

34. The Neil Irwin article "Is Inflation About to Take Off? That's the Wrong Question" proposes four distinct types of inflation risk. Which one of the following is not included in Irwin's list?

- A. The end of hibernation
- B. The great deflation
- C. The yo yo effect
- D. The sloshing bathtub

35. Who is the person who accepts the risks and opportunities inherent in a new business opportunity?

- A. Home country economic systems managers

- B. Information technology managers
- C. Entrepreneurs
- D. Capital managers
- E. Human resources

36. Dougle Inc has a PE ratio of 40 and retains all of its earnings for future projects. What is the earnings yield and dividend yield for Dougle?

- A. Earnings Yield: 2.5%, Dividend Yield:  $\infty$  (infinity)
- B. Earnings Yield: 2.5%, Dividend Yield: 0%
- C. Earnings Yield: 40, Dividend Yield: zero
- D. Earnings Yield: zero, Dividend Yield: 2.5%

37. Which of the following reasons is the primary motivator for a commercial bank to acquire new depositors?

- A. A new deposit account will make more funds available to pay the interest on other deposit accounts.
- B. A new deposit account will make more funds available to give out in dividends to its investors.
- C. A new deposit account will make more funds available to give out in loans.
- D. A new deposit account will make more funds available to pay the bank's employees.

38. Wikitania is a market economy. Ribbles are a useful good in the country. In early 2022, additional supplies of Ribbles become available. Ceteris paribus (all other things being equal), what is the most likely result of the increase in supply:

- A. Demand for Ribbles will fall
- B. Prices of Ribbles will decrease
- C. Prices of Ribbles will increase
- D. If all Ribbles are sold, the price will not change