1) A cost that should be ignored when evaluating a project because that cost has already been incurred and cannot be recouped is referred to as a(n): 1) ______

A) sunk cost.
B) fixed cost.
C) variable cost.
D) opportunity cost.

2) Jamie is analyzing the estimated net present value of a project under various conditions by revising the sales quantity, sales price, and the cost estimates. The type of analysis that Jamie is doing is best described as: 2) ______

A) scenario analysis.
B) opportunity evaluation.
C) sensitivity analysis.
D) benefit planning.

3) Kate is analyzing a proposed project to determine how changes in the sales quantity would affect the project's net present value. What type of analysis is being conducted? 3) ______

A) Opportunity cost analysis
B) Sensitivity analysis
C) Erosion planning
D) Scenario analysis

4) Kyle Electric has three positive net present value opportunities. Unfortunately, the firm has not been able to find financing for any of these projects. Which one of the following terms best fits the situation facing the firm? 4) ______

A) Sunk cost
B) Sensitivity analysis
C) Soft rationing
D) Capital rationing

5) The Shoe Box is considering adding a new line of winter footwear to its product lineup. When analyzing the viability of this addition, the company should include all of the following in its analysis with the exception of: 5) ______

A) the research and development costs to produce the current winter footwear samples.
B) cost of new display counters for the additional winter footwear.
C) increased taxes from winter footwear profits.
D) any expected changes in the sales levels of current products caused by adding the new product line.
E) the expected revenue from winter footwear sales.

6) Cox Footwear pays a constant annual dividend. Last year, the dividend yield was 3.2 percent when the stock was selling for $35 a share. What is the current price of the stock if the current dividend yield is 2.9 percent? 6) ______

A) $25.20
B) $18.92
C) $26.87
D) $27.40
E) $38.62

7) The common stock of Mountain Farms has yielded 14.2 percent, 11.7 percent, 3.4 percent, -2.8 percent, and 15.8 percent over the past five years, respectively. What is the geometric average return? 7) ______

A) 7.64 percent B) 8.22 percent C) 7.91 percent D) 8.27 percent

8) On a particular risky investment, investors require an excess return of 7 percent in addition to the risk-free rate of 4 percent. What is this excess return called? 8) ______

A) Risk premium
B) Inflation premium
C) Average return
D) Real return

9) A stock has produced returns of 11.9 percent, 5.6 percent, 16.4 percent, and -4.2 percent over the past four years, respectively. What is the geometric average return? 9) ______

A) 7.02 percent B) 7.47 percent C) 6.83 percent D) 7.14 percent

10) The stock of Southern United is priced at $52 a share and has a dividend yield of 3.6 percent. The firm pays constant annual dividends. What is the amount of the next dividend per share? 10) _____

A) $1.826 B) $1.729 C) $1.878 D) $1.724 E) $1.872

11) One year ago, you bought a stock for $29.15 a share. You received a dividend of $1.04 per share last month and sold the stock today for $28.80 a share. What is the capital gains yield on this investment? 11) _____

A) 1.76 percent
B) –1.62 percent
C) .53 percent
D) –1.20 percent

12) Assume that over the past 88 years, U.S. Treasury bills had an average return of 3.5 percent as compared to 6.1 percent on long-term government bonds. During this same time period, assume inflation averaged 3.0 percent. What was the average nominal risk premium on the long-term government bonds? 12) _____

A) 2.9 percent B) 2.6 percent C) .1 percent D) 3.1 percent