

1、单选题 分值 1.0

1/11

Assuming zero taxes, the effect of increasing leverage in the capital structure of a firm is to:

- A、 either increase, decrease or leave constant the value of the business depending upon other factors.
- B、 increase the value of the business as debt is cheaper than equity.
- C、 decrease the value of the business as debt is riskier than equity.
- D、 maintain the value of the business unaltered.

2、单选题 分值 1.0

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Tax deductibility of interest payments implies that the optimal debt ratio should be:

- A、 70%
- B、 None of the above
- C、 50%
- D、 Zero

3、单选题 分值 1.0

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If a firm is financed equally by debt and equity, and the cost of debt is 10% per annum and the cost of equity is 14%, what is the weighted average cost of capital for the firm if taxes are 25%?

- A、 9.00%
- B、 12.00%
- C、 10.75%
- D、 21.50%

4、单选题 分值 1.0

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The debt–equity mix is least influenced by:

- A、 Financial Flexibility
- B、 Distress cost
- C、 Credit Ratings
- D、 Takeover threat

5、单选题 分值 1.0

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Determine the enterprise value of a firm whose expected operating free cash flows are \$100 each year and are growing with GDP at 2.5%. Assume its weighted average cost of capital is 7.5% annually.

- A、 \$4,000
- B、 \$1,000
- C、 \$2,000
- D、 \$1,333

6、单选题 分值 1.0

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If value of the business is \$250,000 without the tax rate. Now, from the current year onwards 35% tax rate is introduced. If WACC is 10.8%, what is the change in the value of firm?

- A、 \$89,500
- B、 \$162,500
- C、 \$87,500
- D、 \$165,000

7、单选题 分值 1.0

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Of the following, which measures can debt holders adopt to protect against a transfer of wealth to their detriment to the shareholders?

- I. Restrictive covenants limiting dividends
- II. Insisting on professional management separate from owners
- III. Higher interest rates
- IV. Periodic audits

- A、 I and III
- B、 I, II and III
- C、 I, III and IV
- D、 I, II, III and IV

8、单选题 分值 1.0

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Assuming all other factors remain the same, an increase in the volatility of the returns on the assets of a firm causes which of the following outcomes?

- A、 A decrease in the value of the non-callable debt issued by the firm
- B、 A decrease in the value of the implicit put in the debt of the firm
- C、 An increase in the value of the callable debt of the firm
- D、 An increase in the value of the equity of the firm

9、单选题 分值 1.0

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The underlying objective in decisions relating to capital structure is to:

- A、 maximize value for all stakeholders.
- B、 maximize value for shareholders and debt holders.
- C、 maximize shareholder value.
- D、 minimize the tax burden.

10、单选题 分值 1.0

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Starting from first year of operations, a company is expected to generate Operating Free Cash Flow of Rs. 12 crores growing at 4% till perpetuity. The company has D:E ratio of 3:2. Interest is payable on debt at 14% and cost of equity as per CAPM is 16%. Tax-rate is 40%. What is the value of the firm?

- A、 157.5 crores
- B、 168.2 crores
- C、 154.6 crores
- D、 161.3 crores

11、单选题 分值 1.0

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When considering an appropriate mix of debt and equity, Chief Financial Officers generally consider:

- I. Tax advantage of debt
- II. Financial distress costs
- III. Agency costs of equity
- IV. Retaining financial flexibility

- A、 I, II and IV
- B、 I and II
- C、 I, III and IV
- D、 I, II, III and IV