

## Finance 534 week 8 quiz 7

This quiz consist of 30 multiple choice questions. The first 15 questions cover the material in Chapter 12. The second 15 questions cover the material in Chapter 13. Be sure you are in the correct Chapter when you take the quiz.

### Question 1

Last year Godinho Corp. had \$250 million of sales, and it had \$75 million of fixed assets that were being operated at 80% of capacity. In millions, how large could sales have been if the company had operated at full capacity?

Correct Answer:   
\$312.5

### Question 2

Which of the following is NOT a key element in strategic planning as it is described in the text?

Correct Answer:   
The statement of cash flows.

### Question 3

Spontaneous funds are generally defined as follows:



Correct Answer:   
Funds that arise out of normal business operations from its suppliers, employees, and the government, and they include immediate increases in accounts payable, accrued wages, and accrued taxes.

### Question 4

Which of the following statements is CORRECT?

Correct   
Answer: The first, and perhaps the most critical, step in forecasting financial requirements is to forecast future sales.

↑ Question 5

Which of the following statements is CORRECT?

Correct   
Answer: Additional funds needed (AFN) are typically raised using a combination of notes payable, long-term debt, and common stock. Such funds are non-spontaneous in the sense that they require explicit financing decisions to obtain them.

↑ Question 6

Which of the following statements is CORRECT?

Correct   
Answer: The sustainable growth rate is the maximum achievable growth rate without the firm having to raise external funds. In other words, it is the growth rate at which the firm's AFN equals zero.

↑ Question 7

The capital intensity ratio is generally defined as follows:

Correct Answer:

The amount of assets required per dollar of sales, or  $A_0^*/S_0$ .

#### Question 8

A company expects sales to increase during the coming year, and it is using the AFN equation to forecast the additional capital that it must raise. Which of the following conditions would cause the AFN to increase?

Correct Answer:

The company increases its dividend payout ratio.

#### Question 9

Which of the following statements is CORRECT?

Correct Answer:

A negative AFN indicates that retained earnings and spontaneous liabilities are far more than sufficient to finance the additional assets needed.

#### Question 10

Which of the following is NOT one of the steps taken in the financial planning process?

Correct Answer:

Consult with key competitors about the optimal set of prices to charge, i.e., the prices that will maximize profits for our firm and its competitors.

#### Question 11

Which of the following statements is CORRECT?