Vendor:IMANET

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QUESTION 1

Sensitivity analysis is used in capital budgeting to

A. Estimate a project\\'s internal rate of return.

B. Determine the amount that a variable can change without generating unacceptable results.

C. Simulate probabilistic customer reactions to a new product.

D. Identify the required market share to make a new product viable and produce acceptable results.

Correct Answer: B

After a problem has been formulated into any mathematical model, it may be subjected to sensitivity analysis, which is a trial-and-error method used to determine the sensitivity of the estimates used. For example, forecasts of many calculated NPVs under various assumptions may be compared to determine how sensitive the NPV is to changing conditions. Changing the assumptions about a certain variable or group of variables may drastically alter the NPV, suggesting that the risk of the investment may be excessive.

QUESTION 2

The type of risk that is not diversifiable and affects the value of a portfolio is

A. Purchasing-power risk.

B. Market risk.

C. Nonmarket risk.

D. Interest-rate risk.

Correct Answer: B

Prices of all stocks, even the value of portfolios, are correlated to some degree with broad swings in the stock market. Market risk is the risk that changes in a stock\\'s price will result from changes in the stock market as a whole. Market risk is commonly referred to as no diversifiable risk.

QUESTION 3

An automobile compare Thai uses me futures market to set the price Of steel to Protect a profit against price increases is an example of

A. A short hedge.

B. A long hedge.

C. Selling futures to protect the company from loss.

D. Selling futures to protect against price declines.

Correct Answer: B

A change in prices can be minimize or avoided by hedging. Hedging is the process of using offsetting commitments to cupric or avoid the impact of adverse price movements. The automobile company desires to stabilize the price of steel SG that its cost to the- company will not nose and cut into profits, According the automobile company uses the futures market to create a long hedge, which is a futures contract that is purchased to protect against pence increases.

QUESTION 4

Developing brand equity in a foreign market may be desirable but is subject to considerable risk. A global firm launching a new product in a new market most likely should

A. Initially place most of its emphasis on advertising geared to the local culture.

B. Fully decentralize control of the marketing process.

C. Avoid creating partnerships with local distribution channels to avoid dilution of the brand.

D. Balance standardization and customization of the product.

Correct Answer: D

The firm should determine the ratio of standardization and customization. Products that can be sold virtually unchanged throughout several markets provide a greater profit opportunity for a global firm. However, 1cultural differences may require extensive customization to appeal to markets in different countries

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QUESTION 5

What type of synergy exists when products or services have positive complementary effects?

A. Market synergy.

B. Cost synergy

C. Technological synergy

D. Management synergy

Correct Answer: A

Market synergy arises when products or services have positive complementary effects. Shopping malls reflect this type of synergy.

QUESTION 6

Which of the following is a factor in the choice of strategy in a declining industry?

A. Likelihood of an industry produce profits.

B. The nature of entrants to an industry.

C. Externalities in industry development.

D. Mobility burners,

Correct Answer: A

One factor in the choice of strategy in a declining industry is whether the declining industry is like to .idle profits to the firm, that is, whether industry structure is favorable.

QUESTION 7

Just -in-time manufacturing practices are based in part on the belief that

A. High inventory levels provide greater flexibility in production scheduling.

B. Attempting to reduce inventory to a consistently low level can lead to "panic"situations.

C. Goods should be"pulled"through the production process,not"pushed"

D. Beefed-up internal control in the centrel warehouse can greatly enhance productivity in the production areas.

Correct Answer: C

Just-in-time(JIT)manufacturing is a pull system;items are pulled through production by current demand,not pushed through by anticipated demand as in traditional manufacturing setups.

QUESTION 8

Which of the following is not one of the 5 Ms that define the advertising process?

A. Market.

B. Money.

C. Media.

D. Mission.

Correct Answer: A

The advertising process may be defined in terms of the 5 Ms. The mission consists of sales and adverb sing objectives, the money to be spent is stated in the budget, the message to be communicated is crafted using a creative strategy, the media are chosen to communicate the message, and determining effectiveness requires measurement of communication and sates effects.

QUESTION 9

Of the major processes affecting the evolution on industry, which one affects rivalry, entry, expansion, and supply?

A. Long-run changes in the industry growth rate.

B. Changes in input costs

C. Structural changes in suppliers\\' and customer\\'s industries

D. Government policies

Correct Answer: A

QUESTION 10

The opportunity cost of making a component part in a factory with no excess capacity is the

A. Variable manufacturing cost of the component.

B. Total manufacturing cost of the component.

C. Cost of the production given up in order to manufacture the component.

D. Net benefit forgone from the best alternative use of the capacity required.

Correct Answer: D

An opportunity cost is the return from the next best opportunity that could have been selected for the use of scarce resources. It does not represent an actual receipt or disbursement of resources and is not recorded in the accounting records. If the part could be made using otherwise idle capacity, there would be no opportunity cost.

QUESTION 11

A company has sales of one of its products of $400,000 per year and a contribution margin ratio of 20%. Its margin of safety is $40,000. What are the company\\'s fixed costs?

A. $72,000

B. $80,000

C. $288,000

D. $320,000

Correct Answer: A

The margin of safety equals sales above the breakeven point. Thus, if the margin of safety is $40,000. the breakeven point in sales dollars must be $360,000. If the contribution margin rah is 20%, the contribution margin (sales -- variable costs) at the breakeven point is $72,000 ($360,000 x 20%). This amount must equal fixed costs because sales equal the sum of fixed and variable costs at the breakeven point.

QUESTION 12

A man offers to buyyourcarwith4 equal annual payments of $3,000, beginning 2 years from today. Assuming you\\'re

indifferent to cash versus credit, that you can invest at 10%, and that you want to receive $9000 for the car, should you accept?

A. Yes; present value is $9,510.

B. Yes; present value is $11,373.

C. No; present value is $8646.

D. No; present value is $7461.

Correct Answer: C

A normal present-value-of-an annuity table assumes the first payment is one year away. In this case, the first payment is two years away. Thus, this should be viewed as a five- payment annuity minus one payment. The factor at 10% for five payments is 3.791. Subtract from that the initial payment (year 1) which will not be made, a factor of .909, leaving a factor of 2.882. Multiplying 2.882 times $3,000 results in a present value of $8,646.