

# TEST BANK FOR

Fundamentals of Corporate Finance, 13th Edition Ross

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Chapter 1-27 **Answers are at the end of Each chapter**

Chapter 1

Student name: \_\_\_\_\_

1) The controller, rather than the treasurer, is typically responsible for which one of the following functions?

1) \_\_\_\_\_

- A) Depositing cash receipts
- B) Processing cost reports
- C) Analyzing equipment purchases
- D) Approving credit for a customer
- E) Paying a vendor

## Question Details

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Difficulty : 1 Basic

Learning Objective : 01-01 Define the basic types of financial management decisions and the role of t

Section : 1.1 Finance: A Quick Look

Topic : Management organization and roles

AACSB : Reflective Thinking

Bloom's : Remember

2) Usually, the treasurer of a corporation reports directly to the:

2) \_\_\_\_\_

- A) board of directors.
- B) chair of the board.
- C) chief executive officer.
- D) president.
- E) vice president of finance.

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3) In a typical corporate organizational structure:

3) \_\_\_\_\_

- A) the vice president of finance reports to the chair of the board.
- B) the chief executive officer reports to the president.
- C) the controller reports to the chief financial officer.
- D) the treasurer reports to the president.
- E) the chief operations officer reports to the vice president of production.

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4) Which one of the following questions involves a capital budgeting decision?

4) \_\_\_\_\_

- A) How many shares of stock should the firm issue?
- B) Should the firm purchase a new machine for the production line?
- C) Should the firm borrow money to acquire new equipment?
- D) How much inventory should the firm keep on hand?
- E) How much money should be kept in the checking account?

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Bloom's : Understand

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Difficulty : 2 Intermediate

AACSB : Reflective Thinking

5) When evaluating the timing of a project's projected cash flows, a financial manager is analyzing:

5) \_\_\_\_\_

- A) the amount of each expected cash flow.
- B) only the start-up costs that are expected to require cash resources.
- C) only the date of the final cash flow related to the project.
- D) the amount by which cash receipts are expected to exceed cash outflows.
- E) when each cash flow is expected to occur.

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6) Which one of the following questions involves a capital structure decision?

6) \_\_\_\_\_

- A) Which one of two project proposals should the firm implement?
- B) How should the firm allocate its limited available funds among acceptable projects?
- C) How much funding should be allocated to financing customer purchases of a new product?
- D) How much debt should the firm incur to fund a project?
- E) How much inventory will be needed to support a project?

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7) Determining the number of shares of stock to issue is an example of a \_\_\_\_\_ decision.

7) \_\_\_\_\_

- A) capital rationing
- B) net working capital
- C) capital budgeting
- D) capital allocation
- E) capital structure

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8) Which one of the following questions is a working capital management decision?  
8) \_\_\_\_\_

- A) Should the company issue new shares of stock or borrow money?
- B) Should the company refurbish its equipment or replace it?
- C) How much inventory should the company keep on hand?
- D) Should the company close one of its current stores?
- E) How much money should the company borrow to buy a new building?

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9) Which one of the following is a working capital management decision?

9) \_\_\_\_\_

- A) What equipment will be required to complete a project?
- B) Should the firm require immediate payment from customers or offer credit terms?
- C) What amount of long-term debt is required to complete a project?
- D) What percentage of the firm's equity should the firm issue to fund an acquisition?
- E) Which one of several acceptable projects should be implemented?

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10) Which one of the following involves a working capital management decision?

10) \_\_\_\_\_

- A) What is the maximum level of cash to be kept in the firm's bank account?
- B) What is the most efficient process for producing a product?
- C) How many hours of overtime should manufacturing employees be allowed to work?
- D) When is the appropriate time to replace the delivery fleet?
- E) Should a newly available parcel of land be acquired?

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11) Deciding which long-term investment a firm should make is a \_\_\_\_\_ decision.

11) \_\_\_\_\_

- A) working capital management
- B) capital constraints
- C) cost of capital
- D) capital budgeting
- E) capital structure

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12) A firm's mixture of debt and equity financing is the result of its \_\_\_\_\_ decisions.

12) \_\_\_\_\_

- A) working capital management
- B) cash management
- C) cost analysis
- D) capital budgeting
- E) capital structure

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Bloom's : Remember

13) A firm's \_\_\_\_\_ is the firm's mix of short-term assets and short-term liabilities.

13) \_\_\_\_\_

- A) net working capital
- B) net debt
- C) investment capital
- D) net currency
- E) capital structure

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14) Which one of the following questions is least likely to be addressed by financial managers?

14) \_\_\_\_\_

- A) In which region of the country should a new product be launched?
- B) Should customers be given 30 or 45 days to pay for their credit purchases?
- C) Should the firm pay off its debt early?
- D) Should the firm acquire new equipment?
- E) How much cash should the firm keep on hand?

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15) A firm owned by a single person who has unlimited liability for the firm's debt is called a:

15) \_\_\_\_\_

- A) corporation.
- B) sole proprietorship.
- C) general partnership.
- D) limited partnership.
- E) limited liability company.

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Difficulty : 1 Basic

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Section : 1.2 Corporate Finance and the Financial Manager

Topic : Forms of business organization

AACSB : Reflective Thinking

Bloom's : Remember

**16)** A firm owned by two or more people who each have unlimited liability for all of the firm's debts is called a:

16) \_\_\_\_\_

- A) corporation.
- B) sole proprietorship.
- C) general partnership.
- D) limited partnership.
- E) limited liability company.

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Bloom's : Remember

**17)** A partner in a firm knows that the maximum financial loss he or she will experience is the amount he or she invested in the firm. The partner is called a \_\_\_\_\_ partner.

17) \_\_\_\_\_

- A) general
- B) sole
- C) limited
- D) corporate
- E) zero

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**18)** A business that is a legal entity separate from the owners, yet treated as a legal person, is called a(n):

18) \_\_\_\_\_

- A) corporation.
- B) sole proprietorship.
- C) general partnership.
- D) limited partnership.
- E) unlimited liability company.

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19) A sole proprietorship:

19) \_\_\_\_\_

- A) is designed to protect the personal assets of the owner.
- B) may earn profits that are subject to double taxation.
- C) requires the owner to be personally responsible for all of the company's debts.
- D) is the least represented type of firm in the U.S. today.
- E) provides the same benefits to owners that a limited liability company does.

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20) A sole proprietorship:

20) \_\_\_\_\_

- A) has a limited life.
- B) can generally raise large sums of capital quite easily.
- C) can transfer ownership of the firm more easily than a corporation can.
- D) is taxed the same as a C corporation.
- E) is the most regulated form of organization.

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Bloom's : Remember

21) \_\_\_\_\_ are personally responsible for 100 percent of the firm's debts.

21) \_\_\_\_\_

- A) General Partners but not sole proprietors
- B) Sole proprietors but not general partners
- C) All business owners
- D) Both limited and general partners
- E) Both general partners and sole proprietors

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22) Limited partners benefit from which of the primary advantages?

22) \_\_\_\_\_