**ACC501 Solved Quiz No 3 June 23, 2006**

1. **Suppose PTCL Corporation Ltd. next dividend will be $12 per share. Investors require 18% return on the similar stocks. PTCL Corporation’s dividend grows by 7% every year. What is the value of PTCL stock today?**
	* + 1. $119.085
			2. $133.333
			3. $109.091
			4. $106.063
2. **Al-Saeed Corporation stock is currently selling for $60 per share. The next dividend is $9 per share and it is expected to grow by 12% more or less indefinitely. What return does this stock offer to you?**
	* + 1. 15%
			2. 25%
			3. 27%
			4. 17%
3. **Consider Merry Corporation that has 500 shareholders and is going to elect its eight directors. If you hold 19 shares, how many votes under cumulative voting system you may cast for the appointment of directors for Merry Corporation?**
	* + 1. 115 votes
			2. 130 votes
			3. 152 votes
			4. 165 votes
4. **Shareholders sometimes have the right to share proportionately in any new stock sold by the company. This right of shareholder is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.**
	* + 1. Preference right
			2. Cumulative right
			3. Preemptive right
			4. None of the given options
5. **National Bank of Pakistan has newly issued five hundred thousand shares to the general public. You applied for 500 shares with National Bank of Pakistan. Suppose you receive acknowledgement letter from National Bank of Pakistan that you have been allotted 500 shares. Now you are interesting to sell these shares to Aslam. The market in which first transaction of shares took place is a:**
	* + 1. Secondary market
			2. Treasury market
			3. Primary market
			4. Special market
6. **A company is making an investment in a project whose net present value is**

**-$5000. This investment decision will have \_\_\_\_\_\_\_\_\_\_\_affect on share value.**

1. Positive
2. Negative
3. no
4. None of the given options
	1. **Which option shows shortcomings that relate to payback period method?**
5. It considers the risk differences
6. Time value of money is considered
7. It provides an objective basis for a particular number for the cutoff period
8. Biased against long term projects i.e. research and development and new projects
9. **If two projects A and B are mutually exclusive projects then it means**
	1. We have to select both projects at a time
	2. The selection of A project prevent the selection of B project
	3. The selection of B project prevent the selection of A project
	4. Both options b and c are true
10. **Which of the following expenses is not a tax deductible expense?**
	1. Depreciation
	2. Interest expense
	3. Dividend paid
	4. Selling expense
11. **A firm's investment decision is also called the:**
12. financing decision
13. capital budgeting decision
14. liquidity decision
15. debt financing

|  |  |
| --- | --- |
| **Year** | **Cash Flow** |
| 1 | $100 |
| 2 | 200 |
| 3 | 500 |

**10. The Projected cash flows from a proposed investment are:**