

Corporate Finance Core Principles and Applications
6th edition Ross Test Bank

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Corporate Finance Core Principles and Applications 6th Edition by Ross Ch01

Answers are located in the second half of this document.

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

1) Which one of these is an intangible asset?

- A) A building
- B) Accounts receivable
- C) Inventory
- D) A loan to a client
- E) A patent

Question Details

Difficulty : 1 Basic

Topic : Asset classes

Bloom's : Remember

Section : 1.1 What Is Corporate Finance?

Accessibility : Keyboard Navigation

2) Current assets include

- A) inventory and cash.
- B) cash and buildings.
- C) inventory and machinery.
- D) equipment and cash.
- E) buildings and inventory.

Question Details

Topic : Asset classes

Section : 1.1 What Is Corporate Finance?

Difficulty : 2 Intermediate

Bloom's : Understand

Accessibility : Keyboard Navigation

3) Short-term finance

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- A) ensures sufficient equipment is available to produce the daily amount of product desired.
- B) ensures that long-term debt is acquired at the lowest possible cost.
- C) ensures that dividends are paid to all stockholders on an annual basis.
- D) balances the amount of company debt to the amount of available equity.
- E) is concerned with managing net working capital.

Question Details

Topic : Net working capital

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.1 What Is Corporate Finance?

Accessibility : Keyboard Navigation

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

- A) Deciding whether to open an office in a foreign location
- B) Determining how quickly customers are required to pay their receivables
- C) Determining whether to use short- or long-term liabilities
- D) Deciding how many shares of stock to repurchase
- E) Determining how much cash to keep on hand

Question Details

Topic : Capital budgeting

Section : 1.1 What Is Corporate Finance?

Difficulty : 2 Intermediate

Bloom's : Understand

Accessibility : Keyboard Navigation

5) The managers in a firm have agreed to move the company's headquarters from a rented space to a new building that the company will purchase. This is an example of

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- A) a net working capital decision.
- B) a capital budgeting decision.
- C) a short-term financing decision.
- D) a capital structure decision.
- E) a cash flow decision.

Question Details

Topic : Capital budgeting

Section : 1.1 What Is Corporate Finance?

Difficulty : 2 Intermediate

Bloom's : Understand

Accessibility : Keyboard Navigation

6) Which of the following is a net working capital decision?

- A) Deciding whether to build an apartment building
- B) Negotiating whether to lease or buy a new store location
- C) Determining whether to issue debt or equity to pay for the firm's expansion
- D) Deciding how much inventory to keep on hand
- E) Determining whether to replace a fleet of vehicles

Question Details

Topic : Net working capital

Section : 1.1 What Is Corporate Finance?

Difficulty : 2 Intermediate

Bloom's : Understand

Accessibility : Keyboard Navigation

7) The process of planning and managing a firm's long-term investments is referred to as

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- A) capital budgeting.
- B) agency cost analysis.
- C) financial depreciation.
- D) working capital management.
- E) capital structure.

Question Details

Topic : Capital budgeting

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.1 What Is Corporate Finance?

Accessibility : Keyboard Navigation

8) Capital structure decisions involve the

- A) determination of the ideal mix of current versus long-term assets.
- B) deciding which fixed assets will be used to produce a tangible product.
- C) determination of the ideal mix of current assets and current liabilities.
- D) choices related to acquiring or disposing of long-term assets.
- E) choices related to long-term debt and equity financing.

Question Details

Topic : Capital structure

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.1 What Is Corporate Finance?

Accessibility : Keyboard Navigation

9) Net working capital is best defined as

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- A) excess cash on hand.
- B) a firm's current assets.
- C) current assets minus current liabilities.
- D) total assets minus total liabilities.
- E) cash and near-cash assets.

Question Details

Topic : Net working capital

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.1 What Is Corporate Finance?

Accessibility : Keyboard Navigation

10) The treasurer and the controller of a corporation generally report to the

- A) president.
- B) board of directors.
- C) chief executive officer.
- D) chief financial officer.
- E) chairperson of the board.

Question Details

Topic : Management organization and roles

Section : 1.1 What Is Corporate Finance?

Difficulty : 2 Intermediate

Bloom's : Understand

Accessibility : Keyboard Navigation

11) Which one of the following statements is correct concerning the organizational structure of a corporation?

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

Question Details

Topic : Management organization and roles

Section : 1.1 What Is Corporate Finance?

Difficulty : 2 Intermediate

Bloom's : Understand

Accessibility : Keyboard Navigation

12) The key difference between the responsibilities of the controller and those of the treasurer is best defined as the separation of duties between

- A) managing assets versus managing debt and equity.
- B) processing tax records versus accounting records.
- C) national versus international operations.
- D) production versus marketing.
- E) accounting records versus cash control.

Question Details

Topic : Management organization and roles

Section : 1.1 What Is Corporate Finance?

Difficulty : 2 Intermediate

Bloom's : Understand

Accessibility : Keyboard Navigation

13) Which position is generally directly responsible for financial planning and capital expenditures?

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- A) Controller
- B) Treasurer
- C) Director
- D) Chairperson of the board
- E) Chief operations officer

Question Details

Topic : Management organization and roles

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.1 What Is Corporate Finance?

Accessibility : Keyboard Navigation

14) Which type of business is the easiest and cheapest to form?

- A) Limited partnership
- B) Limited liability company
- C) General partnership
- D) Corporation
- E) Sole proprietorship

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

15) A business entity formed by two or more individuals who each have unlimited liability for business debts is called a

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

Question Details

Topic : Forms of business organization

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

16) The division of profits and losses among the members of a partnership is formalized in the

- A) indemnity clause.
- B) partnership agreement.
- C) statement of purpose.
- D) indenture contract.
- E) group charter.

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

17) Which of the following forms of business offer limits on the liabilities of some or all owner(s)?

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- A) Corporation
- B) Sole proprietorship
- C) General partnership
- D) Corporation, sole proprietorship, and general partnership
- E) Sole proprietorship and general partnership

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

18) Which of the following is treated as a distinct legal entity separate from its owners?

- A) Limited partnership
- B) Sole proprietorship
- C) General partnership
- D) Corporation
- E) Limited partnership and corporation

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

19) Which one of these is a corporate document that sets forth the intended life of the firm?

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- A) Federal charter
- B) Articles of incorporation
- C) Corporate bylaws
- D) Indenture contract
- E) State charter

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

20) Which one of the following statements concerning a sole proprietorship is correct?

- A) A sole proprietorship has an unlimited lifespan.
- B) The owner of a sole proprietorship may be forced to sell personal assets to pay company debts.
- C) The owners of a sole proprietorship share profits as established by the partnership agreement.
- D) If the owner of a sole proprietorship receives profits from the firm, the profits are subject to double taxation.
- E) A sole proprietorship may issue shares of stocks to expand the firm.

Question Details

Topic : Forms of business organization

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

21) Sole proprietorships

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- A) are expensive to set up.
- B) create unlimited liability for their owners.
- C) are faced with double taxation of profits.
- D) can have multiple owners.
- E) provide limited liability to owners.

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

22) Which one of the following statements concerning a sole proprietorship is correct?

- A) The life of the firm is limited to the life span of the owner.
- B) The owner can generally raise large sums of capital quite easily.
- C) A formal charter is required to form a new proprietorship.
- D) The company must pay separate taxes from those paid by the owner.
- E) The legal costs to form a sole proprietorship are quite substantial.

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

23) Which one of the following best describes the primary advantage of being a limited partner rather than a general partner?

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- A) No potential financial loss
- B) Entitlement to a larger portion of the partnership's income
- C) Liability for firm debts limited to the capital invested
- D) Greater management responsibility
- E) Ability to manage the day-to-day affairs of the business

Question Details

Topic : Forms of business organization

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

24) A general partner

- A) cannot lose more than the amount of his/her equity investment.
- B) has less legal liability than a limited partner.
- C) faces double taxation whereas a limited partner does not.
- D) has more management responsibility than a limited partner.
- E) is the term applied only to corporations that invest in partnerships.

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

25) A limited partnership generally

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- A) has less of an ability to raise capital than a proprietorship.
- B) has 10 or more limited partners and no general partners.
- C) permits limited partners to sell their ownership interest without the partnership terminating.
- D) is taxed the same as a corporation.
- E) provides for the transfer of a general partner's ownership interest to any outside party.

Question Details

Topic : Forms of business organization

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

26) Which of the following is an advantage of a general partnership, relative to a regular C-corporation?

- A) Unlimited life of the firm
- B) Unlimited personal liability for the firm's debt
- C) Ability to have an unlimited number of owners
- D) Ease of transferring ownership to others
- E) Profits are taxed as individual income

Question Details

Topic : Forms of business organization

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

27) In a limited partnership, each limited partner's liability is limited to

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- A) his/her net worth.
- B) his/her annual income from the partnership.
- C) the amount he/she invested in the partnership.
- D) the liabilities that each partner incurred.
- E) his/her percentage of the ownership of the partnership.

Question Details

Topic : Forms of business organization

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

28) HyunJi purchased 3,000 shares of a company's stock for \$7 per share. Her purchase represents a 10 percent ownership in the firm. The shares have increased in value to today's market value of \$23 per share. Assume the company goes bankrupt and owes \$870,000 more in debts than the firm can pay after liquidating all of its assets. What is the maximum loss per share HyunJi will incur on this investment?

- A) \$0 per share
- B) \$7 per share
- C) \$15 per share, computed as $(\$7 + 23) / 2$
- D) \$23 per share
- E) \$29 per share, computed as $(10\% \times \$870,000) / 3,000$ shares

Question Details

Topic : Forms of business organization

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.2 The Corporate Firm

AACSB : Analytical Thinking

Accessibility : Keyboard Navigation

29) Which one of the following statements is correct concerning corporations?

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- A) The shareholders of a corporation select the top managers of that corporation.
- B) A corporation is a distinct legal entity.
- C) The stockholders are usually the managers of a corporation.
- D) The ability of a corporation to raise capital is quite limited.
- E) The income of a corporation is taxed as personal income of the stockholders.

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

30) Which one of the following statements is correct?

- A) All types of business formations have limited lives.
- B) Partnerships are the most complicated type of business to form.
- C) Sole proprietorships and partnerships are taxed in a similar fashion.
- D) General partnerships and corporations provide limited liability for all owners.
- E) Both partnerships and corporations incur double taxation.

Question Details

Topic : Forms of business organization

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

31) The articles of incorporation

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- A) can be used to remove company management.
- B) are amended annually by the company stockholders.
- C) set forth the number of shares of stock that can be issued.
- D) set forth the rules by which the corporation regulates its existence.
- E) can set forth the conditions under which the firm can avoid double taxation.

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

32) The articles of incorporation

- A) establish the rights of the shareholders.
- B) are rules that apply only to limited liability companies.
- C) address only those issues related to a corporation's managers and directors.
- D) establish the compensation to be granted to senior managers.
- E) include only the name, purpose, and intended life of the corporation.

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

33) The owners of a limited liability company benefit from

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- A) being taxed like a corporation.
- B) having liability exposure similar to that of a sole proprietor.
- C) having all business income appear on their personal tax returns.
- D) having liability exposure like that of a general partner.
- E) being taxed like a corporation with liability like a partnership.

Question Details

Topic : Forms of business organization

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

34) Which one of the following business types is best suited to raising large amounts of capital?

- A) Sole proprietorship
- B) Limited liability company
- C) Limited partnership
- D) General partnership
- E) Corporation

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

35) Which type of business organization has all the respective rights and privileges of a legal person?

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- A) Sole proprietorship
- B) Corporation
- C) General partnership
- D) Limited partnership
- E) Limited liability company

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

36) The rules by which corporations govern themselves are called

- A) indenture provisions.
- B) indemnity provisions.
- C) bylaws.
- D) charter agreements.
- E) articles of incorporation.

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

37) A business entity operated and taxed like a partnership, but with limited liability for the owners, is called a

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

Question Details

Topic : Forms of business organization

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.2 The Corporate Firm

Accessibility : Keyboard Navigation

38) The issuance of new equity shares is a cash flow from _____ to _____

- A) long-term lenders; the firm.
- B) the firm; its shareholders.
- C) the firm's suppliers; the firm.
- D) the financial markets; the firm.
- E) the firm; its creditors.

Question Details

Difficulty : 1 Basic

Bloom's : Remember

Topic : Cash flows

Section : 1.3 The Importance of Cash Flows

Accessibility : Keyboard Navigation

39) Dividends are a cash flow from

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- A) a firm to the financial markets.
- B) a shareholder to a firm.
- C) the government to a shareholder.
- D) the financial markets to a firm.
- E) a firm to the government.

Question Details

Difficulty : 1 Basic

Bloom's : Remember

Topic : Cash flows

Section : 1.3 The Importance of Cash Flows

Accessibility : Keyboard Navigation

40) A store receives cash when a customer

- A) buys an item using store credit.
- B) exchanges one item for another at the same price.
- C) pays their bills from the store.
- D) purchases an item using a credit card.
- E) returns an item purchased with cash.

Question Details

Difficulty : 2 Intermediate

Bloom's : Understand

Topic : Cash flows

Section : 1.3 The Importance of Cash Flows

Accessibility : Keyboard Navigation

41) Which one of these statements is correct?

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- A) Firms prefer to receive cash later rather than sooner.
- B) Corporate finance focuses on sales and profits.
- C) Value creation depends solely on profits.
- D) The amount of April sales must equal the amount of cash received by the firm during April.
- E) The cash flows of a firm are generally uncertain.

Question Details

Difficulty : 2 Intermediate

Bloom's : Understand

Topic : Cash flows

Section : 1.3 The Importance of Cash Flows

Accessibility : Keyboard Navigation

42) According to the textbook, the primary goal of financial management is to

- A) maximize current dividends per share of the existing stock.
- B) minimize operational costs and maximize firm efficiency.
- C) maintain steady growth in both sales and net earnings.
- D) maximize the current value per share of the existing stock.
- E) avoid financial distress.

Question Details

Topic : Goal of financial management

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.4 The Goal of Financial Management

Accessibility : Keyboard Navigation

43) The goal of financial management focuses on the fact that

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- A) the company will grow in size.
- B) employee salaries should increase over time.
- C) the current stockholders are the owners of the corporation.
- D) the firm should expand faster than its competitors.
- E) the current corporate officers should be highly compensated.

Question Details

Topic : Goal of financial management

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.4 The Goal of Financial Management

Accessibility : Keyboard Navigation

44) The decisions made by financial managers should focus on increasing the

- A) size of the firm.
- B) growth rate of the firm.
- C) market value of the existing owners' equity.
- D) marketability of the managers.
- E) market share of the firm's products.

Question Details

Topic : Goal of financial management

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.4 The Goal of Financial Management

Accessibility : Keyboard Navigation

45) Which one of the following actions by a financial manager *least* meets the goal of financial management?

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- A) Increasing current costs in order to increase the market value of the stockholders' equity
- B) Agreeing to expand the company at the expense of stockholders' value
- C) Refusing to lower selling prices if doing so will reduce the net profits
- D) Agreeing to pay bonuses based on the market value of the company stock
- E) Refusing to borrow money when doing so will create losses for the firm

Question Details

Topic : Goal of financial management

Difficulty : 2 Intermediate

Bloom's : Understand

Section : 1.4 The Goal of Financial Management

Accessibility : Keyboard Navigation

46) Which one of the following options is the *least* appropriate way to convince managers to work in the best interest of the current stockholders?

- A) Receiving a bonus based on company profits
- B) Receiving stock options
- C) Being threatened with a proxy fight
- D) Receiving a bonus based on company size
- E) Receiving company shares based on increases in share value

Question Details

Topic : Agency costs and problems

Difficulty : 2 Intermediate

Bloom's : Understand

AACSB : Ethics

Section : 1.5 The Agency Problem and Control of the Corporation

Accessibility : Keyboard Navigation

47) Which one of these terms refers to a conflict of interest between the stockholders and managers of a corporation?

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- A) Stakeholder claim
- B) Corporate activism
- C) Legal liability
- D) Breach of indemnity
- E) Agency problem

Question Details

Topic : Agency costs and problems

Difficulty : 1 Basic

Bloom's : Remember

AACSB : Ethics

Section : 1.5 The Agency Problem and Control of the Corporation

Accessibility : Keyboard Navigation

48) Agency costs refer to

- A) corporate income subject to double taxation.
- B) the total dividends paid to stockholders over the lifetime of a firm.
- C) the costs of any conflicts of interest between stockholders and management.
- D) the costs that result from default and bankruptcy of a firm.
- E) the total interest paid to creditors over the lifetime of the firm.

Question Details

Topic : Agency costs and problems

Difficulty : 1 Basic

Bloom's : Remember

AACSB : Ethics

Section : 1.5 The Agency Problem and Control of the Corporation

Accessibility : Keyboard Navigation

49) Who ultimately controls a corporation?

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- A) Stakeholders
- B) Chairman of the board
- C) Stockholders
- D) Chief executive officer
- E) Board of directors

Question Details

Topic : Agency costs and problems

Difficulty : 1 Basic

Bloom's : Remember

AACSB : Ethics

Section : 1.5 The Agency Problem and Control of the Corporation

Accessibility : Keyboard Navigation

50) A stakeholder is best described as any

- A) person or entity owning shares of corporate stock.
- B) person or entity having voting rights based on stock ownership.
- C) current manager who was involved in a firm's creation.
- D) creditor to whom the firm currently owes money.
- E) person or entity, other than a stockholder or creditor, who potentially has a claim on a firm's cash.

Question Details

Topic : Introduction to corporate finance

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.5 The Agency Problem and Control of the Corporation

Accessibility : Keyboard Navigation

51) Which form of business structure is least likely to experience agency problems?

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- A) Sole proprietorship
- B) General partnership
- C) Limited partnership
- D) Limited liability company
- E) Corporation

Question Details

Topic : Agency costs and problems

Difficulty : 2 Intermediate

Bloom's : Understand

AACSB : Ethics

Section : 1.5 The Agency Problem and Control of the Corporation

Accessibility : Keyboard Navigation

52) A proxy fight occurs whenever

- A) any board member is up for re-election.
- B) a firm files for bankruptcy.
- C) a shareholder sells shares in the open market.
- D) a group solicits votes to replace the current board of directors.
- E) a firm is declared insolvent.

Question Details

Topic : Shareholder voting

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.5 The Agency Problem and Control of the Corporation

Accessibility : Keyboard Navigation

53) Which one of these parties *cannot* be a stakeholder of a firm?

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- A) Newly hired company employee
- B) Government
- C) Firm's creditors
- D) Business located next door to the firm
- E) Firm's customers

Question Details

Topic : Introduction to corporate finance

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.5 The Agency Problem and Control of the Corporation

Accessibility : Keyboard Navigation

54) Which one of the following options is the *least* appropriate way to encourage managers to act in the best interest of shareholders?

- A) Shareholder election of the board of directors, who in turn select managers
- B) Threat of a takeover by another firm
- C) Linking manager compensation to share value
- D) Compensating managers with fixed salaries
- E) Granting stock options to key managers

Question Details

Topic : Agency costs and problems

Difficulty : 2 Intermediate

Bloom's : Understand

AACSB : Ethics

Section : 1.5 The Agency Problem and Control of the Corporation

Accessibility : Keyboard Navigation

55) Insider trading is

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- A) illegal.
- B) impossible to have in our efficient market.
- C) legal.
- D) discouraged, but legal.
- E) defined as the trading of stock by a corporate director based on publicly available information.

Question Details

Topic : Ethics, governance, and regulation

Difficulty : 2 Intermediate

Bloom's : Understand

AACSB : Ethics

Section : 1.6 Regulation

Accessibility : Keyboard Navigation

56) Which one of the following is a key requirement of the Sarbanes-Oxley Act?

- A) Officers of the corporation must now own at least five percent of the firm's stock.
- B) Officers of the corporation must review and sign the annual reports.
- C) Annual reports must list the strengths of the internal controls.
- D) Firms must “go dark” every 5 years.
- E) Monthly financial statements must be provided to all shareholders.

Question Details

Topic : Ethics, governance, and regulation

Difficulty : 2 Intermediate

Bloom's : Understand

AACSB : Ethics

Section : 1.6 Regulation

Accessibility : Keyboard Navigation

57) The primary purpose of the Sarbanes-Oxley Act of 2002 is to

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- A) protect investors from corporate abuses.
- B) apply restrictions on foreign firms operating in the United States.
- C) protect financial managers from investors.
- D) decrease audit costs for U.S. firms.
- E) reduce corporate revenues.

Question Details

Topic : Ethics, governance, and regulation

Difficulty : 1 Basic

Bloom's : Remember

AACSB : Ethics

Section : 1.6 Regulation

Accessibility : Keyboard Navigation

58) Since the implementation of Sarbanes-Oxley, the cost of corporate audits in the United States

- A) has steadily increased.
- B) has steadily decreased.
- C) has remained about the same.
- D) increased substantially, but over time has been decreasing.
- E) decreased substantially, but over time has been increasing.

Question Details

Topic : Ethics, governance, and regulation

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.6 Regulation

Accessibility : Keyboard Navigation

59) The Securities Act of 1933 focuses on

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- A) all new and outstanding stock transactions.
- B) the issuance of new securities.
- C) the redemption of outstanding debt.
- D) insider trading.
- E) Federal Deposit Insurance Corporation (FDIC) insurance.

Question Details

Topic : Ethics, governance, and regulation

Difficulty : 1 Basic

Bloom's : Remember

Section : 1.6 Regulation

Accessibility : Keyboard Navigation

60) The basic regulatory framework for public trading of securities within the United States is provided by:

- A) the Securities Act of 1933 and the Securities Exchange Act of 1934.
- B) state governments.
- C) the Federal Reserve Bank.
- D) the Sarbanes-Oxley Act of 2002.
- E) NASDAQ.

Question Details

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Edition by Ross Ch01
Answer Key**

Test name: 001

- 1) E
- 2) A
- 3) E
- 4) A
- 5) B
- 6) D
- 7) A
- 8) E
- 9) C
- 10) D
- 11) B
- 12) E
- 13) B
- 14) E
- 15) C
- 16) B
- 17) D
- 18) D
- 19) B
- 20) B
- 21) B
- 22) A
- 23) C
- 24) D
- 25) C

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- 26) E
- 27) C
- 28) B
- 29) B
- 30) C
- 31) C
- 32) A
- 33) C
- 34) E
- 35) B
- 36) C
- 37) A
- 38) D
- 39) A
- 40) C
- 41) E
- 42) D
- 43) C
- 44) C
- 45) B
- 46) D
- 47) E
- 48) C
- 49) C
- 50) E
- 51) A
- 52) D
- 53) C
- 54) D
- 55) A

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56) B

57) A

58) D

59) B

60) A