**FINANCE MODULE QUIZ**

1. Calculate Weighted Average Cost of Capital: Your business is financed through a combination of debt and equity. Your debt constitutes $6000 with interest at 8%, your equity is $9000 with a cost of equity of 9.5%, and your tax rate is 35%. What is your Weighted Average Cost of Capital (please write the answer in the form of a decimal, rounded to the hundredth)?

2. Calculate Internal Rate of Return: Assuming the cash flows represented in the table below, what would the IRR be (convert answer into decimal format)?

|  |  |
| --- | --- |
| Year | Cash Flow |
| 0 | -123400 |
| 1 | 36200 |
| 2 | 54800 |
| 3 | 48100 |

3. Calculate Net Present Value: Your company is considering investing in new manufacturing equipment. The equipment would cost $50,000 and will provide an annual benefit of $10000 a year for 6 years. Assuming a discount rate of 10%, what is the NPV?

4. Calculate Present Value: You would like to receive $15,000 from your investment 7 years in the future. Assuming your interest rate is 4%, how much would your initial investment have to be in order to achieve this goal?

5. Calculate Future Value: Assume you could invest $700 right now with a 6% interest rate. What would your Future Value be after 4 years?

6. Capital Structure Differences: From the table below, how much of the firm's Capital Structure is made up of Equity?

|  |  |
| --- | --- |
| **Assets:** | |
| Cash | 35000 |
| Inventory | 200000 |
| Equipment | 45000 |
| **Liabilities:** | |
| Debt | 150000 |
| Accounts Payable | 20000 |
| **Equity:** | |
|  | **X** |

**FINANCE MODULE ANSWERS**

Question 1:

Answer: 0.07

Answer range +/- 0.001

Question 2:

Answer: 0.06

Answer range +/- 0

Question 3:

Answer: -6,447.39

Answer range +/- 0

Question 4:

Answer: 11,398.77

Answer range +/- 36

The formula to find Future Value is FV=PV\*(1+i)^N

FV = Future Value

PV = Present Value

i = interest rate per period

N = the total number of compounding periods

Question 5:

Answer: 883.73

Answer range +/- 1.5

The formula to find Future Value is FV=PV\*(1+i)^N

Question 6:

Answer: 110,000

Assets = Liabilities + Owners Equity

A firm's Capital Structure is made up of a combination of the firm's Debt and Equity.