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Question 1

Question Type: MultipleChoice

YY is a company which generates electricity from alternative energy sources It has just begun constructing a wind farm near a well-known beauty spot The protect has been controversial as campaigners say it will be noisy and unsightly.

The campaigners took legal action but lost the case Some of them have started a campaign of direct action against YY and are physically blocking roads leading to the site and attempting to intimidate YY's staff

YY has hired a security company to help it to protect its staff

Which of the following statements are view in relation to the ethics of this scenario"

Select ALL that apply.

Options:

- A) YY is within its rights to hire the security firm because it has duty of care to its employees
- B) The security firm must take care not to use more force against the protestors than is absolutely necessary.
- C) YY no longer has any duty of care to the protestors since their actions are illegal because they lost their court case
- D) The generation of electricity from clean renewable and sustainable sources is too important for the protestors' concerns to be considered
- E) Since the protestors have already lost their court case they would no longer be ethically justified in engaging in political lobbying to try

to get the government to change the law in this area

Answer:

A, B, D

Question 2

Question Type: FillInTheBlank

TRF is conducting a post completion audit on an investment in a pollution control machine that has reached the end of its five year useful life.

TRF could have been heavily fined if the machine had failed to keep pace with the output of emissions, measured in units. TRF's cost of capital is 10%. When the machine was purchased, there was a choice of three machines on the market:

TRF purchased the Big machine, but annual requirements only exceeded 600,000 once, in year 3, when 720,000 units of emissions were emitted.

Calculate the amount that the post completion audit shows TRF overpaid for the ownership costs associated with this machine.

Give your answer to the nearest whole \$ (in \$'000s).

Answer:

Question 3

Question Type: MultipleChoice

The long-term prospects for inflation in the UK and the USA are 2% and 6% per annum respectively.

The GBP/USD spot rate is currently GBP/USD1.71.

Using purchasing power parity theory, what GBP/USD spot rate would you expect to see in three months' time?

Options:

A) GBP/USD1.69

B) GBP/USD1.73

C) GBP/USD1.77

D) GBP/USD1.65

Answer:

B

Question 4

Question Type: MultipleChoice

Company W produces mobile phone components and has recently tendered for a substantial contract. The results of the tendering process will not become available until three months from now. If the company is successful it will require 2,000 units of a commodity which is currently traded in an open commodity market for \$740 per unit. However, there has been speculation that this commodity could increase substantially in price over the next three months and so the company is considering purchasing the commodity now and storing it for three months.

The funds to buy the commodity would be borrowed at an annual interest rate of 7% and the storage cost of the product would be \$5.40 per unit per month. The storage costs would be paid at the end of the three month storage period.

Which of the following represents the gain or loss (to the nearest thousand dollars) that will accrue to Company W assuming that the price of the commodity rises to \$800 in three months' time?

Options:

- A) \$62,000 gain
- B) \$95,000 gain
- C) \$88,000 gain

D) \$16,000 loss

Answer:

A

Question 5

Question Type: MultipleChoice

The long-term prospects for interest rates in the UK and the USA are 2% and 6% per annum respectively.

The GBP/USD spot rate is currently GBP/USD1.71.

Using interest rate parity theory, what GBP/USD spot rate would you expect to see in six months' time?

Options:

A) GBP/USD = 1.74

B) GBP/USD = 1.78

C) GBP/USD = 1.65

D) GBP/USD = 1.67

Answer:

A

Question 6

Question Type: MultipleChoice

The long-term prospects for inflation in the UK and the USA are 2% and 6% per annum respectively.

The GBP/USD spot rate is currently GBP/USD1.71.

Using purchasing power parity theory, what GBP/USD spot rate would you expect to see in three months' time?

Options:

A) GBP/USD1.69

B) GBP/USD1.73

C) GBP/USD1.77

D) GBP/USD1.65

Answer:

B

Question 7

Question Type: FillInTheBlank

TRF is conducting a post completion audit on an investment in a pollution control machine that has reached the end of its five year useful life.

TRF could have been heavily fined if the machine had failed to keep pace with the output of emissions, measured in units. TRF's cost of capital is 10%. When the machine was purchased, there was a choice of three machines on the market:

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Calculate the amount that the post completion audit shows TRF overpaid for the ownership costs associated with this machine.

Give your answer to the nearest whole \$ (in \$'000s).

Answer:

Question 8

Question Type: MultipleChoice

The long-term prospects for interest rates in the UK and the USA are 2% and 6% per annum respectively.

The GBP/USD spot rate is currently GBP/USD1.71.

Using interest rate parity theory, what GBP/USD spot rate would you expect to see in six months' time?

Options:

A) GBP/USD = 1.74

B) GBP/USD = 1.78

C) GBP/USD = 1.65

D) GBP/USD = 1.67

Answer:

A

Question 9

Question Type: MultipleChoice

Company W produces mobile phone components and has recently tendered for a substantial contract. The results of the tendering process will not become available until three months from now. If the company is successful it will require 2,000 units of a commodity which is currently traded in an open commodity market for \$740 per unit. However, there has been speculation that this commodity could increase substantially in price over the next three months and so the company is considering purchasing the commodity now and storing it for three months.

The funds to buy the commodity would be borrowed at an annual interest rate of 7% and the storage cost of the product would be \$5.40 per unit per month. The storage costs would be paid at the end of the three month storage period.

Which of the following represents the gain or loss (to the nearest thousand dollars) that will accrue to Company W assuming that the price of the commodity rises to \$800 in three months' time?

Options:

- A) \$62,000 gain
- B) \$95,000 gain
- C) \$88,000 gain

D) \$16,000 loss

Answer:

A

Question 10

Question Type: MultipleChoice

YY is a company which generates electricity from alternative energy sources It has just begun constructing a wind farm near a well-known beauty spot The protect has been controversial as campaigners say it will be noisy and unsightly.

The campaigners took legal action but lost the case Some of them have started a campaign of direct action against YY and are physically blocking roads leading to the site and attempting to intimidate YY's staff

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- B) The security firm must take care not to use more force against the protestors than is absolutely necessary.
- C) YY no longer has any duty of care to the protestors since their actions are illegal because they lost their court case
- D) The generation of electricity from clean renewable and sustainable sources is too important for the protestors' concerns to be considered
- E) Since the protestors have already lost their court case they would no longer be ethically justified in engaging in political lobbying to try to get the government to change the law in this area

Answer:

A, B, D

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