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淡江大學八十九學年度碩士班招生考試試題

系別：財務金融學系　　　　科目：財務管理（B組、B組在職生）

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1. During the Asian financial crisis, many financial intermediations (bank, security firm,...) fail due to poor risk management. Discuss the risks faced by the Financial Intermediation and the suggestion of solution for these risks.

2. TKU Shipyard is considering the replacement of an 8-year-old riveting machine with a new one that will increase earnings before depreciation from $27,000 to $54,000 per year. The new machine will cost $82,500, and it will have an estimated life of 8 years and no salvage value. The new machine will be depreciated over its 5-year MACRS recovery period. The applicable corporate tax rate is 40%, and the firm's cost of capital is 10%. The old machine has been fully depreciated and has no salvage value. Should the new one replace the old riveting machine?

MACRS 5–year recovery period

1	2	3	4	5	6
20%	32	19	12	11	6

3. The TKU company is planning next year's capital budget. TKU projects its net income at $7,500, and its payout ratio is 50%. The company's earnings and dividends are growing at a constant rate of 5%; the project dividend of next year is $0.95; current stock price is $9. ABC new debt will cost 14 %. If TKU issues new stock, floating cost will be 20% of stock price. ABC is at its optimal capital structure, which is 40% debt and 60% equity, and the firm's marginal tax rate is 40%.

(1) What is the cost of equity (Ks) of the TKU company?

(2) What is the WACC of TKU company before the retained earnings break point?

(3) What is the WACC of TKU company after the retained earnings break point?

4. Macaulay (1938) suggested the "Duration" to measure the sensitivity of bond price to interest rate. Using (1) duration as the time-weighted of cash flows dividing the price of bond (2) duration as the price elasticity of yield to maturity of bond and (3) duration as the balance point of cash flow to explain the meaning of duration.

Hint: using numerical example.

5. The most popular pricing model of futures is the cost of carry model. Explain cost of carry model of index futures, foreign exchange futures, agriculture futures and the precious metal futures.