BUS 302 Managerial Finance final exam

1. Why might an entrepreneur want to borrow funds to expand their business rather than sell stock? (20 points)
2. What is the difference between standalone risk and portfolio risk? (20 points)
3. What does WACC mean and what does it tell you? (20 points)

Spreadsheet Questions:

1. Calculate the Free Cash Flow for 2018. Show all steps in your calculation (40 points)
2. Construct the projection of financial statements for 2019(A) assuming a 10% increase in sales and a new capital structure of 10% debt and 90% equity. What is the WACC? (40 points)
3. Construct the projection of financial statements for 2019(B) assuming a decrease in sales of 15% and new capital structure of 50% debt and 50% equity. What is the WACC? (40 points)
4. Calculate the free cash flow for both the 2019 projections (40 points)
5. Your company must choose one of two mutually exclusive projects. (see spreadsheet). (20 points)