

Details and Rubric

- Complete Chapter 12 question, 12-1, p. 530
- Complete Chapter 15 problem, 15-3, p. 647

Prepare this Assignment as a Word® document. List each question, followed by your answer. Please submit this Assignment through the Dropbox.

Grading Rubric		
Criteria for Unit 6 Assignment	Points Possible	Points Earned
Provides correct and complete answers for questions and problems. <ul style="list-style-type: none"> • Chapter 12 question, 12-1 • Chapter 15 problem, 15-3 	9 9	
Clearly shows the reasoning and/or calculations used to arrive at the answer or conclusion.	23	
Demonstrates excellent college-level organization and style; presents work in Excel® or Microsoft Word, showing all necessary formulas and steps.	4	
Total	45	

QUESTIONS

(12-1) Define each of the following terms:

- Operating plan; financial plan
- Spontaneous liabilities; profit margin; payout ratio
- Additional funds needed (AFN); AFN equation; capital intensity ratio; self-supporting growth rate
- Forecasted financial statement approach using percent of sales
- Excess capacity; lumpy assets; economies of scale
- Full capacity sales; target fixed assets to sales ratio; required level of fixed assets

(15-3)
Premium for
Financial Risk

Ethier Enterprise has an unlevered beta of 1.0. Ethier is financed with 50% debt and has a levered beta of 1.6. If the risk-free rate is 5.5% and the market risk premium is 6%, how much is the additional premium that Ethier's shareholders require to be compensated for financial risk?

answer →

15-3 3.6%.