
   1 pt  (a) What was the profit margin for Coca-Cola in 2007? 21.09% \((\text{business profit/sales revenue}) \times 100\)
   1 pt  (b) What was the ROE for Coca-Cola in 2007? 30% (30.07%) \((\text{business profit/net worth (or equity)}) \times 100\)
   ½ pt  (c) What does the acronym ROE stand for? return on equity
   ½ pt  (d) Interpret the profit margin figure obtained in (a).

   For every $ of sales revenue, business profit gained amount to 21 cents.

2. Suppose that FARMEX, a fictitious agribusiness firm, anticipates profits to be $5 billion in 2011 and $3 billion in 2012. Calculate the value of FARMEX today. Assume the discount rate is two percent. $7.785 Billion

   \[
   \text{Value of FARMEX} = \frac{5 \text{ billion}}{1.02} + \frac{3 \text{ billion}}{(1.02)^2} = 7.785 \text{ billion}
   \]

3. (a) TRUE or FALSE. The value of any firm is directly related to the discount rate.

   (b) TRUE or FALSE. The key feature which distinguishes the concept of business profit from the concept of economic profit is uncertainty.