

Spring 2012 Final

4:00 A

9A

1. Cash in flow today, cash out flow in future as make up ^{only} dividends & repurchase shares.

2. $r(1/2) = \frac{.027}{12} + 3$; $r(1/2) = (1 + r(1/2))^6 - 1 + 3$

+5 3. higher

+7/+8 4. ~~reduce~~ profit, ~~more~~ increase cash flow

+8 5. systematic risk is ⁺³ less than the market ⁺¹²

+15 6. ~~interests~~ fallen

7. $(+2.06 + (60 - 65)) \times 100$ ⁺⁵ ⁺¹⁰

+8/+7 8. Falls, offset by falling beta (or ^{stock price decreases or} ^{can undo effect long ↑ period} ^{lease})

+8/+5/+2 9. internal funds, then debt then issue stock

+10/+5 10. own firm's assets + short call on firm's assets