

Spring 2012 Final

4:00 B

SA

1. Cash inflow today. Cash outflow in future as
make up dividends & repurchase shares.

$$2. r(\frac{1}{4}) = \left(\frac{.075}{4}\right); r(\frac{1}{2}) = (1+r(\frac{1}{4}))^2 - 1$$

3. lower

4. increase profits, reduce cash flow

5. systematic risk is greater than the market

6. fallen

$$7. (-1.32 + (70-65)) \times 100$$

8. Rises; offset by an increase in expected return

9. fall

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