SU 2012

Key to 9:45a

Short Answer

+8/+4/+2/+1 1. lower initial cash flow (CF), lower interest rate (r), lower growth rate (g), lower number (N) of cash flows

+8/+4/+3 2. lower standard deviations for Toyota and/or Apple, ~~higher~~ lower weight on riskier stock (~~lower~~ higher on less risky), ~~ha~~ lower correlation (or covariance)

+8/+4/+3 3. higher expected corporate tax rate $E(T_c)$
higher ~~ex~~ tax rate on equity income T_e
lower tax rate on interest income T_i

+8/+4/+2/+1 4. ~~higher~~ lower stock price (S), ~~lower~~ higher strike price (K), higher time to expiration (T), higher standard deviation (σ)

+8/+4/+2/+1 5. Income: lower early in life, higher later in life
CF: higher early in life, lower later in life