

SU 2012

Key to 9:45b

Short Answer

1. higher initial cash flow<sup>(CF)</sup>, lower interest rate<sup>(r)</sup>, higher growth rate<sup>(g)</sup>,  
 +8/+4/+2/+1 higher number of cash flows<sup>(N)</sup>
2. higher betas for Toyota and/or Apple  
 +8/+7 higher weight in high beta stock (lower on low beta)
3. less of firm's safest cash flows go to bondholders  
 +8/+4/+3 (more go to S/H)
4. lower stock price<sup>(S)</sup>, higher strike price<sup>(K)</sup>, shorter time to maturity<sup>(T)</sup>  
 +8/+4/+2/+1 expiration, lower standard deviation
5. Income: unaffected  
 +8/+4/+3 cash flow: lower cash flows early, higher cash flows at end (late)