

50 2012

Keyto 1.15a

# Short Answer

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

2. lower betas for Toyota and/or Apple  
 +8/+7 higher weight in low beta stock (lower on high beta)

3. The firm no longer earns as much of a spread (few \$) <sup>between</sup> the rate at which the firm invests <sup>and</sup> the rate at which it can borrow.  
 +8/+4/+2/+1 <sup>lev 1.5 E+8</sup>

4. higher stock price <sup>(S)</sup>, lower strike price <sup>(K)</sup>, longer time to expiration <sup>(T)</sup>, higher standard deviation <sup>(σ)</sup>  
 +8/+4/+2/+1 <sup>interest rate</sup>

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