SU2012

Key to 1:15b

Short Answer

1. higher initial cash flow (CF), lower interest rate (r), higher growth rate (g), higher number of cash flows (N)

+8/+4/+2/+1

2. higher standard deviations for Toyota and/or Apple
   - higher weight on riskier stock (lower on lower risk)
   - higher correlation (or covariance)

+8/+4/+3

3. More of firm's safest cash flows go to bondholders (less goes to S/H).

+8/+4/+3

4. lower stock price (S), higher strike price (K), higher time to expiration (T), higher standard deviation (σ)

+8/+4/+2/+1

5. Reduce cash flow at initial investment
   Increase cash flow over the life of the asset (as depreciated)
   Increase cash flow at end (due to possible salvage value)

+8/+5/+2