

Gesamtprüfung
Financial Management
Dr. Florian Hauser**02/2013**
14. Feber 2013

N° 1	N° 2	N° 3	N° 4	N° 5	N° 8	Total	Note
6	6	6	6	6	10	max. 40	PS:

Name:

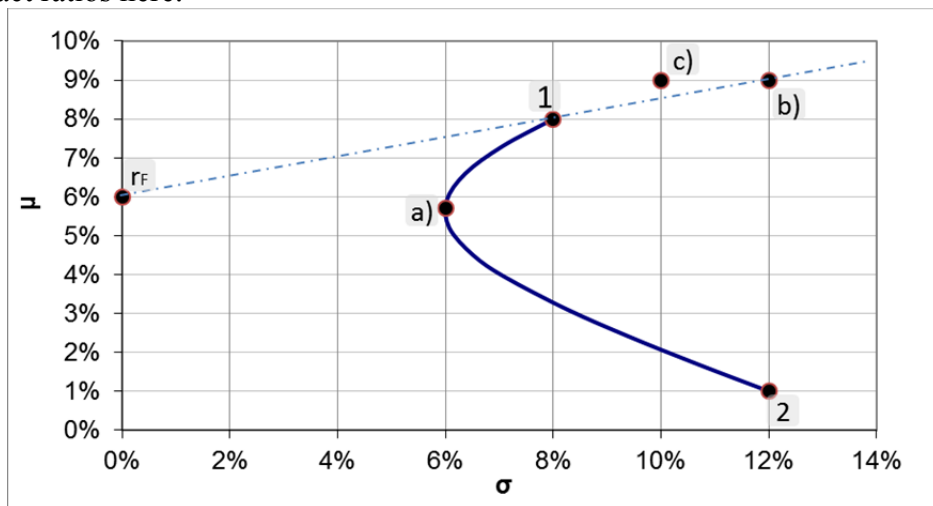
Studienkennzahl:

Matrikelnummer:

You can answer in English and German language as well!

- 1) How would you respond to the following comments?
 - a) Efficient market? I know at least of a dozen people who have made a bundle in the stock market!
 - b) If everyone believes you can make money by charting stock prices, then price changes won't be random.

- 2) You have the following three investment opportunities: Stock 1, stock 2, and the risk-free rate of return. The solid line in the graph shows all feasible portfolios consisting of long positions in stocks 1 and 2 (Correlation $\rho_{12} = -0.2$).
- How can an investor realize portfolio a) Please provide exact ratios here (e.g. 40% in 1, 40% in 2, 20% in r_F).
 - Which two assets (of 1, 2, and r_F) can be used to arrive at portfolio b)? Provide exact ratios for the composition of b).
 - Explain if / how an investor can construct portfolio c). You don't need to provide exact ratios here.



3) Discuss pros and cons firms should consider when deciding whether to pay dividends or not.

4) What are the main objectives of financial reporting / public disclosure? Discuss why reporting might fail to reach those objectives.

- 5) Firm “Alice” has 50,000 shares outstanding, quoting at a market price of 20€. In addition, it is financed by 500,000€ debt, at an interest rate of 5%. EPS for “Alice” are 4€. Firm “Bob” has 100,000 shares outstanding, and EPS for “Bob” are 0.75€. “Bob” and “Alice” have equal business risk. Assume a Modigliani-Miller-world without taxes and calculate:
- a) The capital structure of “Alice”.
 - b) The premium on financial risk for “Alice”.
 - c) The return on investment (ROI) for “Alice”.
 - d) The weighted average cost of capital for “Bob”.
 - e) ROE for “Bob”.
 - f) The shareholder value of “Bob”, assuming the firm to be unlevered.

6) Multiple Choice.

Correct answers will bring 1 point; incorrect answers count -1 point. If a question is not answered, no points are assigned. Even with wrong answers, the total points for the multiple choice questions cannot be below 0. Comments will be ignored.

How to tick a box in the multiple choice section:

tick a box



untick a box



tick a box (again)



	true	false
According to the Equity-Premium-Puzzle, the historical premium on equity over bonds cannot be fully explained by systematic risk.	<input type="checkbox"/>	<input type="checkbox"/>
In CAPM equilibrium, stocks with an expected return below the risk-free rate must have a negative beta.	<input type="checkbox"/>	<input type="checkbox"/>
In CAPM equilibrium, an efficient portfolio must be free of unsystematic risk.	<input type="checkbox"/>	<input type="checkbox"/>
Empirical tests of the CAPM will deliver meaningful results.	<input type="checkbox"/>	<input type="checkbox"/>
During the financial crisis (2008 – 2010), we could observe more dividend cuts than dividend increases in the US.	<input type="checkbox"/>	<input type="checkbox"/>
The variance-covariance matrix for 10 assets will cover 45 unique covariance terms.	<input type="checkbox"/>	<input type="checkbox"/>
For a portfolio P of stocks A and B ($\rho_{AB} = 1$) holds: $\sigma_P = x_A * \sigma_A + x_B * \sigma_B$.	<input type="checkbox"/>	<input type="checkbox"/>
According to the trade-off theory, the tax shield will increase capital costs of a firm.	<input type="checkbox"/>	<input type="checkbox"/>
In the Schredelseker-Coin-Model, the profitability of a technical trading strategy declines the more agents adopt it.	<input type="checkbox"/>	<input type="checkbox"/>
In decisions against rational opponents (game theory), information is always valuable.	<input type="checkbox"/>	<input type="checkbox"/>

