

Fachprüfung (BA, IWW, Wipäd)
Financial Management
Dr. Florian Hauser

02/2012
16. Feber 2012

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

Name:

Studienkennzahl:

Matrikel:

Die Bearbeitung kann in Deutsch oder in Englisch erfolgen!

- 1) Discuss possible positive and negative effects for investors when regulators increase public information (e.g. by strict disclosure laws).

2) Firm ABC pays part of the salary for the management in form of own stocks (that cannot be sold for at least 2 years).

- a) Discuss possible advantages and disadvantages for the managers and the shareholders of firm ABC.
- b) Propose ways for the managers and the firm (shareholders) to avoid the disadvantages.

3) Discuss arguments pro and contra dividend payments. Explain why one could observe high dividend payout ratios (over 100%) in the last five years.

4) Firm A's EBIT is 80.000€, EPS are 10€ and the price of one share is 100€. Firm A is partly financed by a bank credit (Capital structure: $L=1$) with an interest rate of 6%.

- a) Calculate r_E and r_{WACC} .
- b) Calculate the shareholder value of firm A and the number of outstanding shares.
- c) There is a second firm B, which is unlevered. It has the same EBIT, EPS and share price as firm A, and you consider firm B to have the same business risk as well. Firm B is not fairly priced; is the share price too high or too low according to Modigliani/Miller? How could a free-lunch-strategy look like?

- 5) Depending on the state of next year's economy, securities A and B are expected to realize the following returns:

State (Probability P)	Return Security A	Return Security B
1 (P=0.2)	0.15	0.10
2 (P=0.4)	0.11	0.08
3 (P=0.4)	0.09	0.12
Expected Return	0.11	0.10
Standard Deviation	0.0219	0.0179

- a) Calculate the correlation coefficient ρ_{AB} .
- b) Calculate the fractions of A and B in the minimum variance portfolio.
- c) You go long (1000€) in A and short (500€) in B. What is the risk of that portfolio?
Note: if you fail to calculate ρ_{AB} , assume -0.2 for calculations b) and c).

6) Multiple Choice. (Be cautious: if your answer is wrong you get a negative point!)

CAPM is a normative theory.	<input type="radio"/>	<input type="radio"/>
In CAPM equilibrium, characteristic lines must have a positive slope.	<input type="radio"/>	<input type="radio"/>
Given perfect and complete capital markets, production decisions can be disentangled from peoples' consumption preferences.	<input type="radio"/>	<input type="radio"/>
The main results of the CAPM still hold if we assume investors to have heterogeneous expectations.	<input type="radio"/>	<input type="radio"/>
One cannot learn to distinguish price series generated by random walk (Brownian motion) from actual stock price series.	<input type="radio"/>	<input type="radio"/>
According to Roll's critique, the efficient markets hypothesis cannot be tested empirically.	<input type="radio"/>	<input type="radio"/>
If a market is strong-form efficient, technical analysis is expected to have no value for an investor.	<input type="radio"/>	<input type="radio"/>
In Schredelseker's coin model, the market is informationally efficient if all agents adopt a fundamental trading strategy.	<input type="radio"/>	<input type="radio"/>
If portfolio 1 (40% in asset A, 60% in B) and asset B are efficient, portfolio 2 (20% in asset A, 80% in B) must be efficient, too.	<input type="radio"/>	<input type="radio"/>
In decisions against nature, the value of additional information cannot be negative.	<input type="radio"/>	<input type="radio"/>