

Fachprüfung
Financial Management
Dr. Florian Hauser**09/2015**

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

Name:

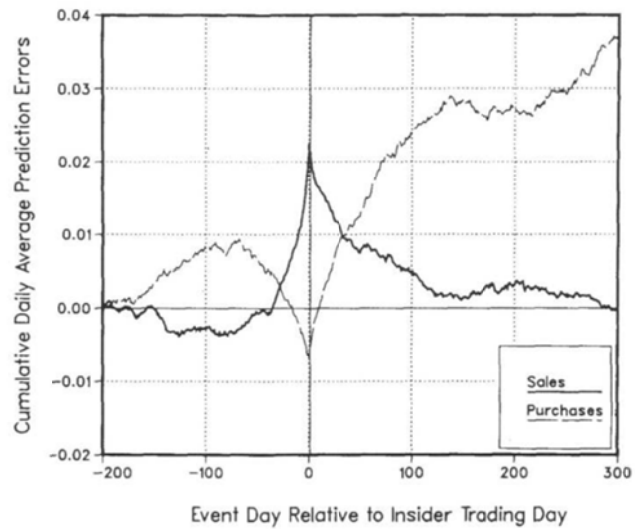
Studienkennzahl:

Matrikelnummer:

You can answer in English and German language!

- 1) The equity premium is an integral part of the CAPM.
 - a) Explain the meaning of the equity premium from an investor's perspective in short words.
 - b) Briefly describe three ways to derive different equity premia (e.g. historical EP, expected EP, ...).

2)



The figure above shows stock price reactions (vertical axis) around insider trades (that happened at time $t=0$ on the horizontal axis).

- Explain the meaning of those findings in context of the efficient-markets-hypothesis.
- Explain why one can observe systematic stock price movements prior to the event.

3)

Simplified balance sheet of firm X			
Cash	200000	Subscribed capital	500000
Inventory	800000	Retained earnings	600000
Equipment	1200000	Liabilities	1100000
Sum	2200000	Sum	2200000

Firm X issued 100000 shares that are traded at a price of 16,50€ at the moment. The balance sheet of X is to be found above (all values in €). Cost of debt for X are 7%, and the ROI of X is 275000€.

- Calculate book value leverage.
- Calculate market value leverage.
- Calculate debt ratio based on market values.
- Calculate the return on equity ROE.
- Calculate the P/E ratio.
- Calculate the risk premium on financial risk for X.

- 4) Schredelseker-Model: Consider a market for a security with the true value being the sum of ten Laplace-coins. There are ten risk-neutral fundamental traders t_n ; every trader t_n sees the first n coins. Every trader wants to trade one unit (long or short). The sequence of the coins is 1100100001.

Trader t_n	0	1	2	3	4	5	6	7	8	9

- What is the equilibrium price for the security?
- What are the returns for buyers and sellers (partitioning is applied if needed)?
- Who has an advantage or disadvantage if the first three coins become public information?

- 5) After going public, the CEO of the firm discusses the future dividend policy with you. He favours a high dividend payout ratio (75% of recent earnings), as he assumes that this will lower capital costs. What would you reply?

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)

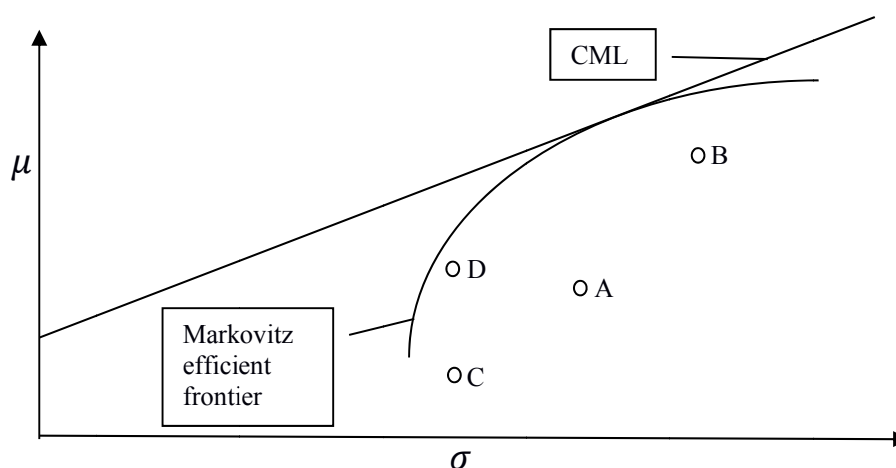


Fig. 1

true false

The following 5 questions refer to Fig. 1:

Stock B dominates stock A.

☐ ☐

In CAPM-equilibrium stock A is on the security market line.

☐ ☐

In CAPM-equilibrium β_D can be lower than β_A .

☐ ☐

In CAPM-equilibrium the total risk of stock B must be higher than the risk of the market portfolio.

☐ ☐

In CAPM-equilibrium the market expects a negative correlation of returns of stock C and the market portfolio.

☐ ☐

The following 5 questions are not related to Fig. 1:

Retained earnings have been the major source of funding for US-American firms in recent years. That stands in contrast to the pecking-order hypothesis.

☐ ☐

The mechanisms in the Grossman-Stiglitz-paradoxon are similar to those of minority games.

☐ ☐

The more stocks one adds to a portfolio, the smaller the systematic risk of that portfolio (ceteris paribus).

☐ ☐

The higher the dividend-payout-ratio, the higher the growth rate of shareholder value (ceteris paribus).

☐ ☐

Financial distress is expected to increase the costs of capital of a firm.

☐ ☐

