

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

Name:

Studienkennzahl:

Matrikel:

**Die Bearbeitung kann in Deutsch oder in Englisch erfolgen!**

**Answers may be given in German or English!**

Nur Kugelschreiber verwenden (keine Bleistifte!!!)

Only ball pens allowed (no pencils!!!)

(1) The next year's dividend of firm A is 10€ per share; EPS are 25€. The risk-free rate is 3% and the individual risk premium of A is 7%. The MM-conditions hold. (8 points)

- a) What is the current share price?
- b) What is the next year's share price under the condition that there is no exogenous growth?
- c) What is firm A's capital structure under the condition that unlevered firms of the same risk class yield an expected return of 8%?
- d) What is the current share price of an unlevered firm having the same ROI and the same number of shares outstanding as A?

(2) What are typical agency problems before and after making a contract? (5 points)

(3) Consider a market for a security 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 trades one unit (buy or sell). The sequence of the coins is 1100101000. (5 points)

<b>Trader <math>t_n</math></b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>

- What is the equilibrium price for the security?
- How much do sellers win or lose (partitioning is applied if needed)?
- Everybody sees at least the three first coins. What is now the equilibrium price?
- How much do sellers now win or lose (partitioning is applied if needed)?
- Who has an advantage or disadvantage of the public information?

(4) What are the main items of Roll's critique to the CAPM-tests? (6 points)

(5) Explain why a good analyst may perform worse than a bad analyst. (6 points)

(6) Multiple Choice (10 points)

For each correct answer you receive 1 point, for each incorrect answer 1 point is deducted. If a question is not answered, no points are assigned. Please do only answer questions when you are sure. The total number of points from the multiple choice questions cannot fall below 0. Comments will be ignored.

How to tick a box in the multiple choice section:

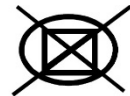
tick a box



untick a box



tick a box (again)



	True	False
Equity in form of retained earnings is the most common source of capital.	<input type="radio"/>	<input type="radio"/>
Modigliani-Miller assume that banks have standard requirements for riskiness.	<input type="radio"/>	<input type="radio"/>
Leverage increases the expected return of the firm's stock.	<input type="radio"/>	<input type="radio"/>
In Austria and in Germany a firm is not allowed to repurchase shares.	<input type="radio"/>	<input type="radio"/>
Repurchasing shares leads, as paying dividends does, to a price drop in the stock market.	<input type="radio"/>	<input type="radio"/>
Accounting traditions lead to an overestimation of German capital structures.	<input type="radio"/>	<input type="radio"/>
Empirical test have shown that low-beta-stocks yield higher returns and high-beta-stocks yield lower returns than predicted by the CAPM.	<input type="radio"/>	<input type="radio"/>
Under the CAPM a risky security with a negative beta will yield a return below the risk-free rate.	<input type="radio"/>	<input type="radio"/>
Buying a security that has a beta of 1 and going short in the index exposes you to only the security's unsystematic risk.	<input type="radio"/>	<input type="radio"/>
The capital market line always has a positive slope.	<input type="radio"/>	<input type="radio"/>