

Content: Problems and concept questions (T/F, completion, etc.)  
 Format: 25 questions, 50 minutes, multiple-choice  
 Bring: pencil, eraser, calculator, scan form (#19641), cheat-sheet

Chapter	Topic
Chapter 11: Risk & Return	<p>Return: define and calculate (review Chapters 4 &amp; 5, Time Value)            Risk: define; distinguish stand-alone (total), diversifiable (firm-specific), non-diversifiable (market)            Investors' attitudes and resulting choices            Components of required return: risk-free rate (common), risk premium (specific)</p> <p>Calculate expected return and standard deviation for isolated asset            Calculate state returns, expected return and standard deviation for portfolio            Is standard deviation an appropriate risk measure for an isolated asset, for a portfolio?            Diversification: What is it? What makes it possible?</p> <p>Beta: Interpret size and sign            Calculate portfolio beta: weighted average            Is beta an appropriate risk measure for an isolated asset, for a portfolio?            Calculate required return using CAPM (SML)            Buy/sell/hold decision using CAPM</p> <p>Equilibrium: What does it mean? What brings it about? How identify disequilibrium?            Changes in equilibrium: expected inflation, risk aversion, firm's market risk            Which managerial decisions might change a firm's market risk? Investment, Financing</p>
Section 10.6: Market Efficiency	Degrees of Market Efficiency: Which information is priced?
Chapter 12: Cost of Capital	<p>Role of Weighted Average Cost of Capital (WACC)/Marginal Cost of Capital (MCC): investor's required returns =&gt; firm's cost =&gt; minimum acceptable return on new investment            MCC is supply curve of new capital</p> <p>Target capital structure: meaning</p> <p>Calculate component costs: debt (after-tax), preferred, common (retained earnings &amp; new shares)            Calculate breakpoint(s)            Calculate WACC(s)</p> <p>Limitations: "other things unchanged," particularly risk</p>