

Content: Problems and concept questions (T/F, completion, etc.)
 Format: 50 questions, 2 hours, multiple-choice
 Bring: Calculator only. (Pencil, eraser and scan form are provided.)

Note: **No cheat sheets allowed, no programable calculators allowed**
 Know your M-number

| Chapter | Topic |
|---|---|
| Chapter 1 & Introduction | Goals of the firm & Agency problems |
| Chapter 2: Financial Statements, Taxes & Cash Flows | Balance Sheet & Income Statement Statement of Cash Flows Sources and uses of cash Net Income and Operating Cash Flow; Depreciation tax shield |
| Chapter 3: Statement Analysis | DuPont Model (interpretation & calculation) |
| Chapters 4 & 5: Time Value of Money | FV of single flow, annuity (ordinary & due), uneven stream PV of single flow, annuity (ordinary & due), perpetuity, uneven stream Rate of single flow, annuity (ordinary & due), uneven stream Periods (N) of single flow, annuity (ordinary & due) PMT of annuity Distinctions between nominal, periodic and effective rates |
| Chapter 6: Bonds & Interest Rates | Bonds: Cash flows, value, yield to maturity Interest Rate Model: impact of expected inflation (Fisher Effect) |
| Chapter 7: Stock Valuation | “Constant” growth common stock: value, expected return and dividend/capital gains yield Preferred stock: calculate value, expected return Equilibrium |
| Chapter 8: Capital Budgeting Basics | Payback period: calculation, shortcomings NPV & IRR: Calculation, interpretation, interrelationships Advantages of NPV: scale, timing Problems with IRR: mutual exclusion, non-normal projects, multiple IRRs Mis-use of NPV: Mutually exclusive projects with unequal lives (replacement chain, EAA) |
| Chapter 11: Risk & Return | Partition risk: stand-alone (total), diversifiable (firm/industry/region-specific, idiosyncratic), non-diversifiable (market, systematic) Investors’ attitudes and choices Calculate expected return and standard deviation for isolated asset Calculate expected return, standard deviation and beta for portfolio Calculate required return using CAPM (How decide to buy/sell/hold?) Equilibrium & disequilibrium |
| Chapter 12: Cost of Capital | Role of WACC/MCC Calculate component costs: debt (after-tax), preferred, common (retained earnings & new shares) Calculate breakpoint Calculate WACC |