

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

Topic	Questions
Chapter 4: Bond Valuation	<p>Cash flows: coupon payment, par value and call price, for annual and semi-annual bonds Who pays whom what?</p> <p>Calculate value at various market rates, for annual and semi-annual bonds Par, premium, discount PV of interest differentials Interest rate risk (price risk) v. reinvestment rate risk (income risk) Calculate value at various dates (till maturity), for annual and semi-annual bonds Price-yield relationships</p> <p>Calculate yield to maturity, current yield, capital gains yield, yield to call for annual and semi-annual bonds</p>
Interest Rates	<p>Interest rate model (“layer-cake”): risk-free rate + risk premium Determinants of real risk-free rate, nominal risk-free rate (Fisher Effect) Determinants of risk premium (spread): default risk, (il)liquidity, maturity</p> <p>Term structure/yield curve Theories: market segmentation, pure expectations, liquidity preference Forecasting interest rates</p>
Chapter 8: Stock Valuation	<p>Distinguish common and preferred stock What are common shareholders actually buying?</p> <p>“Constant” dividend growth (Gordon) model : assumptions, applicability For constant (positive, zero, negative) growth common stock, calculate value of share and expected dividend yield, capital gains yield and total return For non-constant growth common stock, calculate value of share today</p> <p>Preferred stock: calculate value, expected return</p> <p>Equilibrium: What conditions must hold? What happens if they do not?</p>