[redacted]

OULU BUSINESS SCHOOL

Tentin päivämäärä / Date of exam: 28.09.2015
Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam: **721190S, OBS Advanced Firm Valuation (3), 6 op**
Tentaattori(t)/ Examiner(s): Juha-Pekka Kallunki
Sallitut apuvälineet / The devices allowed in the exam: X Laskin (ei graafinen/ohjelma)/Calculator (not graphic, programmable) ☐ Sanakirja/Dictionary ☐ Muu materiaali, tarkennettu alla/Other material, specified below
Tenttiin vastaaminen / Please answer the questions ☐ suomeksi/ in Finnish X englanniksi/ in English
Kysymyspaperi on palautettava / Paper with exam questions must be returned: X Kyllä/Yes ☐ Ei/No

1. Below is the reported balance sheet of the firm. Derive the reformatted (analytical) balance sheet from the reported balance sheet [6p]. Show how working capital is calculated [6p].

Assets

Non-current (fixed) assets
- Intangible assets
- Tangible assets
- Financial assets, long maturity

Current assets
- Inventories
- Receivables
- Financial assets, short maturity
- Cash, operating and excess

Liabilities and Equity

Equity

Non-current liabilities
- Debt, interest-bearing

Current liabilities
- Non-interest bearing
  - Financial liabilities
  - Accounts payable
  - Tax liabilities
- Interest-bearing

2. We have the following information for the firm: Stock price P = 10, Book value of equity per share BPS = 5, Return on Equity ROE = 10% and Debt to equity ratio is 0,8. Calculate Price to Earnings ratio. [6p]

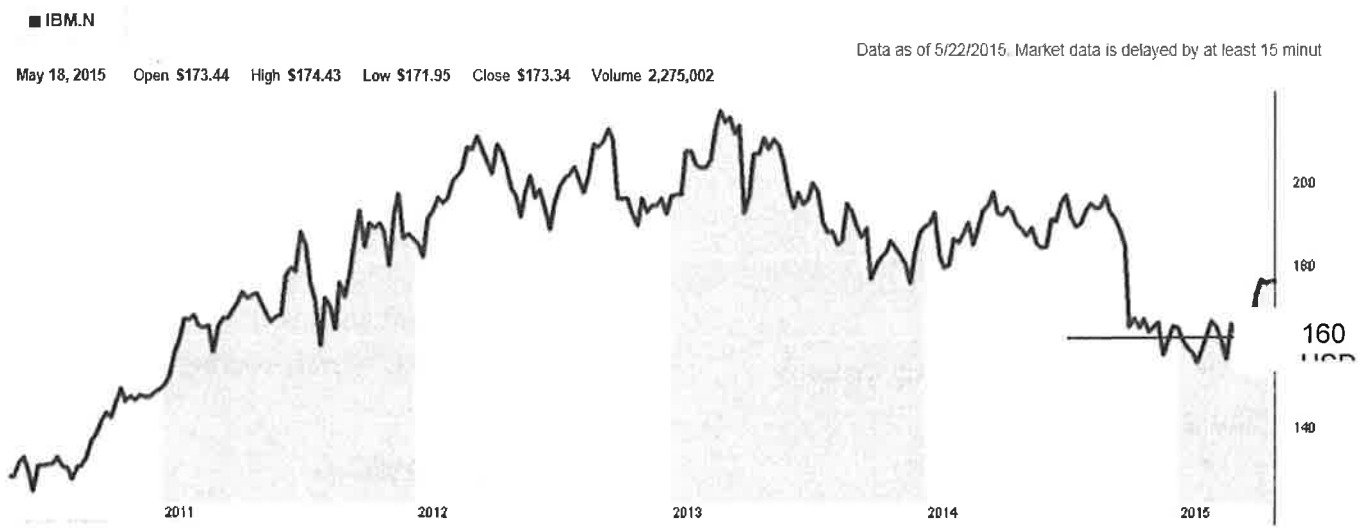
3. Below you can find analysts' forecasts of Earnings per share (EPS) and Dividends per share (DPS) for International Business Machines (IBM). All numbers are calculated at the year-end. The long-term average P/E-ratio for IBM is equal to 13,94. Calculate the expected stock return on the purchases of IBM made at the price of 160 USD, i.e. the price around the turn of the year 2014/15. [12p]

Table 1. Earnings per share (EPS) and Dividends per share (DPS) forecasts for IBM.

	Y2014	Y2015*	Y2016*	Y2017*
EPS	15,59	15,87	16,50	17,35
DPS	4,50	4,70	5,08	5,60

Source: Thomson-Reuters

Figure 1: Weekly stock prices from May 22, 2010 to May 22, 2015 for IBM



Source: Thomson-Reuters