



YLIOPISTOTENTTI - UNIVERSITY EXAM

Opiskelijan nimi / Student name:	Opiskelijanumero / Student number:
---	---

Opettaja täyttää / Lecturer fills in:

Opintojakson koodi and nimi / The code and the name of the course: Koodi / Code: 721190S Tentin nimi / Name: Advanced Firm Valuation	
Tiedekunta / Faculty:	Oulu Business School
Tentin pvm / Date of exam: May 2, 2016	Tentin kesto tunteina / Exam in hours: 4
Tentin nro / No. of the exam: Tenti (esim. Tenti, 1. uusinta, 2. uusinta / e.g. Exam, 1. retake, 2. retake)	Opintopistemäärä / Credit units: 6
Tentaattori(t) / Examiner(s): Juha-Pekka Kallunki	Sisäinen postios. / Internal address: Laskentatoimi/TaTK
Sallitut apuvälineet / The devices allowed in the exam: <input checked="" type="checkbox"/> Nelilaskin / Standard calculator <input checked="" type="checkbox"/> Funktiolaskin / Scientific calculator <input type="checkbox"/> Ohjelmoitava laskin / Programmable calculator <input type="checkbox"/> Muu materiaali, tarkennettu alla / Other material, specified below:	
Tenttiin vastaaminen / Please answer the questions: <input type="checkbox"/> Suomeksi / in Finnish <input checked="" type="checkbox"/> Englanniksi / in English	
Kysymyspaperi on palautettava / Paper with exam questions must be returned: <input checked="" type="checkbox"/> Kyllä / Yes <input type="checkbox"/> Ei / No	

1. Below you can find six statements. Answer whether they are true or false [correct answer = 1p., wrong answer = -1p., no answer = 0p. Min: 0p., max 6p.]
 - a) Dechow, Sloan and Zha (2014) report in their article "*Stock Prices & Earnings: A History of Research*" that the adjusted R^2 from regressing stock prices on cash flows is higher than the adjusted R^2 from regressing stock prices on earnings.
 - b) High degree of financial leverage decreases the risk of the firm.
 - c) In the Statement of cash flows, the item *Cash flow from investing activities* shows the cash inflows and outflows from borrowing money, selling stock, and paying dividends.
 - d) Net operating assets = Non-current assets + Current assets.
 - e) $EVA = NOPAT + WACC \times Invested\ Capital$.
 - f) According to the Dupont Identity, $ROE = (\text{Net Income} / \text{Revenues}) \times (\text{Revenues} / \text{Invested Capital})$.

2. Calculate the weighted average # of shares outstanding during the year, if the # of shares in the beginning of the year is 500, the firm issues 100 new shares on Feb 1 and 100 new shares on December 1, and buys back 200 shares on April 1. [6p.]

3. 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 (DTE) 0.8. Calculate Price to Earnings ratio (PE). [6p]