



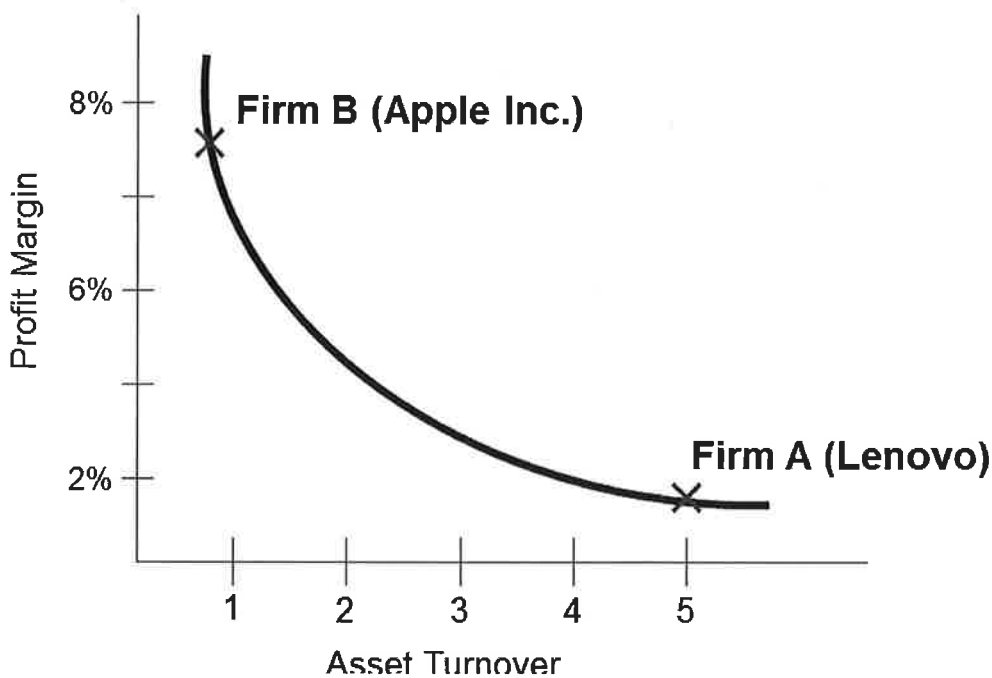
## YLIOPISTOTENTTI - UNIVERSITY EXAM

<b>Opiskelijan nimi / Student name:</b>	<b>Opiskelijanumero / Student number:</b>
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Opettaja täyttää / Lecturer fills in:

<b>Opintojakson koodi and nimi / The code and the name of the course:</b> <b>721190S / Advanced Firm Valuation</b>	
<b>Tiedekunta / Faculty:</b> Oulu Business School	
<b>Tentin pvm / Date of exam:</b> May 30, 2016	<b>Tentin kesto tunteina / Exam in hours:</b> 4
<b>Tentin nro / No. of the exam:</b> Tentti (esim. Tentti, 1. uusinta, 2. uusinta / e.g. Exam, 1. retake, 2. retake)	<b>Opintopistemäärä / Credit units:</b> 6
<b>Tentaattori(t) / Examiner(s):</b> Juha-Pekka Kallunki	<b>Sisäinen postios. / Internal address:</b> Laskentatoimi/TaTK
<b>Sallitut apuvälineet / The devices allowed in the exam:</b> <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:	
<b>Tenttiin vastaaminen / Please answer the questions:</b> <input type="checkbox"/> Suomeksi / in Finnish <input checked="" type="checkbox"/> Englanniksi / in English	
<b>Kysymyspaperi on palautettava / Paper with exam questions must be returned:</b> <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.]
- 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.
  - In relative valuation, the value of the firm is estimated by looking at how the market prices similar or comparable firms.
  - The ratio of Net Interest-Bearing Debt to Equity is also called as Gearing –ratio.
  - Earnings management is often seen as a bad behavior by the management of the firm, but it can also be a good behavior.
  - A survey by Dichev, Graham, Harvey and Rajgopal (2013), “Earnings Quality: Evidence from the Field”, *Journal of Accounting and Economics* suggests that one third of companies mispresent earnings by increasing earnings.
  - According to the Dupont Identity,  $ROE = (\text{Net Income} / \text{Revenues}) \times (\text{Revenues} / \text{Invested Capital})$ .
2. What are the business strategies that Apple and Lenovo have chosen according this figure? [6p.]



3. Let's denote:  $DIV$  = the dividend per share,  $r_E$  = the cost of equity capital,  $B$  = the book value of equity and  $NI$  = the net income. Assuming the clean surplus relation, derive the abnormal earnings (AE) model from the dividend discount (DDM) model. Use the appropriate time subscripts for the variables. [6p.]

