Final Exam

Office hours: You can e-mail and make appointment

Here is final exam details

- Date: May 14, 2014
- Time: 9.00 -12.00, Room 203
- Financial/Scientific calculators allowed (Bring as many if you like, if you think it helps confidence!)
- One A4 Sheet allowed written on **both** sides. The exam proctor will take away your sheet. If you wish to keep a copy, please do so before coming in to exam.
- ***Be sure to recheck with BE office to confirm final exam time and date once more.***

Contents overview

Final Details:

a. All inclusive content:

b. Exam details (100 points in total)

Part I) (50 points) Valuation: cash flow methods, market multiples, and DDM, valuation of commercial banks, valuation in special cases (start-ups and distressed firms)

Part II) (50 points) Portfolio performance, portfolio mathematics, using S50 futures to hedge, the role of transaction costs, behavioral finance (conceptual)

Preparing for exam

1. Read chapters from text Jerald E. Pinto, CFA, Elaine Henry, CFA, Thomas R. Robinson, CFA, and John D. Stowe, CFA. Equity Asset Valuation, Second Edition CFA Institute Investment Books (January 2010)
2. Review lecture and go through examples in power point slide.
3. Do exercise and try to understand how things work. **Quality is more important than quantity.**

4. Group discussion (helps deal with boredom of studying alone).
5. Prepare your cheat sheet after reviewing all materials.

Contents in details: Your learning objectives

(Important things you shouldn't forget)

Determination of target price from FCF, DDM, and market multiples

Explain the pros and cons of each valuation approach

Explain significance of behavioral finance in equity analysis.

Explain the role of transaction costs on actual rate of return.

Working knowledge of key investment statistics, mean, SD, coefficient of variation, correlation, portfolio mean, portfolio SD, arithmetic average, geometric average, interpretation of regression coefficients (slope and intercepts), computations of beta, natural log transformation of return and continuous compounding.

Compute pay off using equity futures

Understand how to use equity futures for reduction of portfolio risk

Analyze and value commercial banks

Difference between active and passive fund management

Fund performance measures: Sharpe, Treynor, Jensen's alpha, and Information ratio

Analysis of fund attribution: performance due to market, style, etc.