DRAFT DRAFT Information about the Fall 2005 Final Exam for MBA 8230  DRAFT  DRAFT

Liability Statement

Everything covered in the book and/or in any class by any instructor is fair game for the Final Exam. While it is not our intention, the Final may contain badly written, confusing, and unfair questions. While it is not our intention, the below information may distract, confuse, or mislead some students and may adversely affect preparation on the Final Exam. We make no warranties, expressed or implied, about the usefulness of the below information in preparing for the Final Exam.

Time and Place Information

The Fall 2005 MBA 8230 Final Exam is scheduled for Friday, December 9, 2005 from 7:15 p.m. to 9:15 p.m. The classes of Hodges are in General Classroom Building 400. The classes of Garrett are in General Classroom Building 300. Some Alpharetta based classes may be holding their exams in Alpharetta.

Exam Information

There will be 25 multiple choice questions, with five choices per question. There are ?? concept questions and ?? questions with numerical answers. Note, while most of the questions with numerical answers are quantitative (i.e., require calculations), some may be solved using logic alone.

Be aware that many concepts are covered in multiple chapters, for example, calculations involving the Weighted Average of a Portfolio are from Focused Chapters 8, 9, 10, 12, 14, 15, and 16. Related to this, on the Final Exam there are questions that cross chapter boundaries. For example, the well-known relationship - that increasing the discount rate will decrease the present value – could be phrased as a risk and return, weighted average cost of capital, capital structure or capital budgeting question. For the questions below, the listed topic that we were considering when we wrote the question. Your classification of questions could differ from ours. There are multiple versions of the exams and it is unlikely that your version of the exam will be in the question order shown below. Here is the breakdown of question type by number.

Number and Type of Question

TBD

Exam Hints

MBA 8230 is a core course. As such, our objective is to assure that students have a “body of knowledge” about certain fundamental finance concepts. The Final Exam tests a student’s knowledge over these fundamental finance concepts. Although certain concepts
(e.g., sources and uses of funds in calculating initial cash flows for capital budgeting) are needed for the Final Exam, we do not design questions to directly test your knowledge of any other material. Be aware that MBA 8230 builds on material from MBA 8130, so many of the methods and formulas learned in that course will be needed in this course.

From the instructor meeting before the semester started, it was that the final exam would test only the topics listed below:

- **Chapter 8** - cover decision trees, scenario analysis and real options (problems considered fair game: 8.1, 8.4, 8.15 to 8.22)
- **Chapter 9** - cover return, standard deviation for single stock and for 2 stock portfolios
- **Chapter 10** - there will be no final exam questions from textbook sections 10.4, 10.5 and 10.7
- **Chapter 12** - there will be no final exam questions from textbook section 12.6
- **Chapter 14** - this is assigned as a "reading" chapter in the syllabus. Only questions on final will be conceptual - the items in "Summary and Conclusions" are fair game.
- **Chapter 15** - mainly the math of MM w/o taxes and MM w/taxes (we agreed that teaching this chapter will probably take all of class 5 and much of class 6)
- **Chapter 16** - mostly conceptual, however some problems might be okay. Sections to cover are 16.1 to 16.7 and 16.10.

MBA 8230 is a relatively new course. Fall 2005 represents the first semester of using the Ross, Westerfield, Jaffe textbook. As such, we have no exams that are good representations of your final exam. However, the material covered and in the relevant chapters is quite similar to coverage to the previous version of this course (MBA 8622). For this reason, we strongly suggest you review the sample Final Exam questions listed on the course WebPages (http://www.gsu.edu/~fnccwh/html/8230_final_exam.html).

Having said the above, this semester’s exam will be quite similar to previous exams in its design and focus. For quantitative questions, we test the same material each term. As an example, consider the Capital Structure chapter, Chapter 15. M&M’s with corporate taxes Proposition 1 and 2 will work in both a no-taxes world and a with taxes world. Thus, if you memorize the with taxes Propositions 1 and 2, you can answer solve virtually any calculation from that chapter. We therefore have very few types of questions that we can ask. Another reason to study the old exams is to see the manner in which questions are written.

In addition, the Hodges online section has about ½ of the quiz questions based on the new text and 80% of the THPS based on the new textbook. You should review questions and problems from your Take Home Problem Set. This especially applies to Chapters 10, 12, and 15 as the style of these chapters in the new textbook differs significantly from the old textbook.

There are no formulas listed on the exam. You are not allowed to program you calculator with formulas and thus there are certain formulas/methods/techniques you should
memorize. In the list that follows, we have placed a (M), for Memorize, by types of calculations that are not normally directly solvable with the standard calculator. Here are some of the calculations upon which you might be tested; present value, future value, annuities, perpetuities (M), net present value using decision trees, weighted averages, valuing real options by calculating value of project with and without option, holding period returns, standard deviation, variance, implications of the normal distribution, covariance, correlation, variance and standard deviation of a two security portfolio if given correlation (M)(page 262), CAPM (M), formula for beta (M) (page 283 or 321), relationship between asset beta and equity beta (M) (page 329 footnote 6), WACC (M)(page 332), M&M with (and without) taxes Proposition 1 and Proposition 2, Debt-to-equity ratio, debt-to-value ratio, tax shield (M), balance sheet identity, Return on Assets, Return on Equity, and stock price when given firm value and number of shares. From 8130, you need to recall bond valuations, yield to maturity, Constant Growth stock valuation model (M), preferred stock valuation(M), NPV, IRR, weighted returns/average (M), WACC(M), Some things that will not be tested are Monte Carlo simulation, Miller Capital Structure model.

Some test technique hints:

1. If you do not understand a question, ask your instructor. The worst-case scenario is that the instructor says they cannot answer your question.
2. You may have difficulty in finishing the exam, within 2 hours. If you believe you may have a problem, “Cherry Pick” your questions save the longest and most difficult questions for last.
3. You will need formulas on the exam. Memorize the formulas you expect to need (based on the old exams and the above list) and then upon receipt of the exam, write the formulas on the back of the exam.
4. Budget your time. You have 2 hours to complete the exam. While we design the exam to take about 100 minutes for the average student, there is always a group of students that takes the entire 2 hours.

Hope this helps and have fun.