Information about the Spring 2007 Final Exam for MBA 8130

Liability Statement
Everything covered in the book and/or in any class by any instructor is fair game for the Final Exam. Dr. Hodges typically uses questions from many different sources during a given semester, thus questions will often be worded in a manner that differs from your instructor’s typical patterns. While it is not my intention, the Final may contain badly written, confusing, and unfair questions. If you are confused by a question, ask for clarification. While I believe the below information to be correct, I make no warranties about the usefulness of the information in preparing for the Final Exam.

Time and Place Information

The online Spring 2007 MBA 8130 Final Exam is scheduled for Thursday, March 1, from 7:15 p.m. to 9:15 p.m. The exam will take place in Room 205 of Classroom South (205 CS) at the downtown Georgia State University campus. The room should be open by 7 pm.

Exam Information

There will be 25 multiple choice questions, with five choices per question. There are 8 concept questions and 17 questions with numerical answers. Partial credit is available on about 5 problems. 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 Present Value with uneven cash flows are from Focused Chapters 2, 5, 6, and 5. 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 time value of money, bond, or stock 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
1. Concept question from Finance Overview
2. Concept question from Finance Overview
3. Concept question from Time Value of Money
4. Question with Numerical Answer from Time Value of Money
5. Question with Numerical Answer from Time Value of Money
6. Question with Numerical Answer from Time Value of Money
7. Question with Numerical Answer from Time Value of Money
8. Concept question from Financial Statements and Financial Statement Analysis
Exam Hints

MBA 8130 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.

MBA 8130 is a relatively new course, but the material covered, in the relevant chapters, will be quite similar to coverage in 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/8130_final_exam.html). You should also review questions and problems from your sample Final Exam. The sample Final Exam was designed to test the same topics as will appear on the real Final Exam.

For quantitative questions, we test the same material each term. As an example, consider the Stock chapter. There are two models (CAPM and Constant Growth) with two types of valuation problems (constant growth and non-constant growth) and four variables that can possibly be calculated (dividend, price, growth rate, and required return on stock). We therefore have very few types of questions that we can ask. On almost every exam, one of the questions is a non-constant growth problem and one of the questions is a
required rate of return. Another reason to study the old exams is to see the way in which questions are written.

Except for financial ratios (from Chapter 4), 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/methods that are not normally directly solvable with the standard calculator. Here are some of the calculations that you could be asked to make; quoted interest rate formula from Chapter 1, present value, future value, annuity, annuity due, solving for interest rate and time, compounding periods other than annual, periodic to stated to effective interest rate conversions (M), amortized loan tables (M), perpetuities (M), CAPM/SML(M), standard deviation, weighted averages, bond valuations, current yield, coupon rate, yield to maturity, Constant Growth stock valuation model (M), non-constant growth stock valuations, preferred stock valuation(M), NPV and IRR of uneven cash flows, income statement construction, balance sheet construction. Some things that will not be tested are fractional time periods, and free cash flow valuation with constant growth, coefficient of variation, and breakeven analysis. In addition, we will give you the formula for any Chapter 4 financial ratios (e.g. current ratio) needed for the exam.

Some test technique hints:

1. If you do not understand a question, ask an 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.*