**Information about the Spring 2008 Final Exam for MBA 8135**

**Liability Statement**

Everything covered in the book and/or in any class by any instructor is fair game for the Final Exam. A team of instructors designs the Final Exam. Thus, the style/wording of questions may differ from the style/wording used by Professor Hodges. All 8135 Professors use questions from many different sources during a given semester, thus questions will often be worded in a manner that differs from your textbook’s typical patterns. While it is not my intention, the Final may contain badly written, confusing, and unfair questions. Having said that, I have covered every topic and assigned questions and problems for every topic tested in the Final Exam.

**Time and Place Information**

The online Spring 2008 MBA 8135 Final Exam is scheduled for Saturday, May 3, from 12:30 p.m. to 2:30 p.m. There are three classes taking the exam in the same room. The exam will take place in Room 200 of Classroom South (205 CS) at the downtown Georgia State University campus ([http://www.gsu.edu/map.html](http://www.gsu.edu/map.html)). The room should be open by noon.

**Exam Information**

There will be 25 questions on the exam. The exam is comprehensive, thus material from any chapter is fair game. There are nine multiple choice concept questions, three multiple-choice calculation questions, 13 calculations where you can show your work for partial credit. Each question counts 4 points. Note, while most of the questions with numerical answers are quantitative (i.e., require calculations), some may be solved using logic alone. **THERE ARE NO ESSAY QUESTIONS ON THE EXAM.**

Be aware that many concepts are covered in multiple chapters, for example, calculations involving the Present Value with uneven cash flows are from Jordan Chapters 5 and 6 as well as Jaffe Chapters 5, 6, 7, 8, and 12. Just because a chapter is not listed does not mean we did not use information from that chapter.

There are many 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, stock, or capital budgeting question question. On the list below, that this relationship question would be listed as Jordan Chapter 5, as that was the first chapter to discuss the topic.

For the questions below, the listed chapter is the chapter that we were considering when we wrote the question. Your classification of questions could differ from ours. There are usually 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**

**Multiple Choice Questions**

1. Concept question from Jaffe Chapter 1  
2. Concept question from Jaffe Chapter 1  
3. Concept question from Jordan Chapter 5  
4. Concept question from Jordan Chapter 6  
5. Question with Numerical Answer from Jordan Chapter 6  
6. Question with Numerical Answer from Jaffe Chapter 5  
7. Concept question from Jaffe Chapter 6  
8. Concept question from Jaffe Chapter 6  
9. Concept question from Jaffe Chapter 7  
10. Concept question from Jaffe Chapter 10  
11. Question with Numerical Answer from Jaffe Chapter 10  
12. Concept question from Jaffe Chapter 12

**Open-ended questions**

1. Question with Numerical Answer from Jordan Chapter 6  
2. Question with Numerical Answer from Jordan Chapter 6  
3. Question with Numerical Answer from Jaffe Chapter 6  
4. Question with Numerical Answer from Jaffe Chapter 6  
5. Question with Numerical Answer from Jaffe Chapter 6  
6. Question with Numerical Answer from Jaffe Chapter 6  
7. Question with Numerical Answer from Jaffe Chapter 6  
8. Question with Numerical Answer from Jaffe Chapter 10  
9. Question with Numerical Answer from Jaffe Chapter 12  
10. Question with Numerical Answer from Jaffe Chapter 12  
11. Question with Numerical Answer from Jaffe Chapter 7  
12. Question with Numerical Answer from Jaffe Chapter 7  
13. Question with Numerical Answer from Jaffe Chapter 7

**Exam Hints**

MBA 8135 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 knowledge from other courses is helpful (e.g., sources and uses of funds in calculating initial cash flows for capital budgeting) for the Final Exam, we do not design questions to directly test your knowledge of any other material. MBA 8135 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, MBA 8130, and MBA 8230). I have incorporated many of the old final
exam questions into our course quizzes. For this reason, I strongly suggest you review the old quizzes in Ulearn.

For quantitative questions, we test the same material each term. As an example, consider stock valuation. 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 quizzes is to see the way in which questions are written.

There are no formulas listed on the exam. You are not allowed to program your calculator with formulas and thus there are certain formulas/methods/techniques you should memorize. In the list that follows, I 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 that you might be asked to make; weighted returns/average (M), standard deviation (M), standard deviation of a 2-stock portfolio where you combine the stocks for each state of nature, 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 (M), bond valuations, current yield, coupon rate, yield to maturity, Constant Growth stock valuation model (M), non-constant growth stock valuations, preferred stock valuation (M), WACC (M), NPV, IRR, Payback (M), PI (M), Initial Cash Flows for new projects or replacement (M), Operating Cash Flows for new or replacement projects (M), Terminal Cash Flows for new or replacement projects (M), adjusting cash flows for inflation, adjusting the discount rate for project risk. Some things that will not be tested are discounted payback period, MIRR, fractional time periods, put-call parity, binomial option valuation, and breakeven analysis.

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 quizzes 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.