

# Exam 4 Topics

## Chapter 8

- Cash flow to stockholders
- Three cases of valuing stocks using estimated dividends
  - Zero Growth
  - Constant dividend growth (DGM or Gordon growth model)
  - Non-constant growth
- Constant growth model conditions
- Using DGM to find R
- Stock valuation using multiples
- Common shares
  - Voting rights and Types of voting
  - Proxy voting and Proxy fight
  - Share classes (classes of stock)
  - Other rights
- Preferred stock
  - Know what it is and the rights associated with it (dividends and voting)

## Chapter 12

- Historical record of return and risk
- Be able to calculate dollar and percent return
  - Dividend yield and capital gains yield
- Be able to calculate average, variance, and standard deviation of a series of returns
- Risk premium
- Arithmetic vs Geometric average or mean
  - Know the difference “What is each one answering” and be able to calculate
- Capital Market Efficiency
  - Efficient market hypothesis
  - Three forms: Strong, Semi-strong, and Weak

## Chapter 13

- Expected returns
- Variance and standard deviation of unequal probability states
- Portfolios
  - Weights
  - Expected return
  - Variance and standard deviation
  - Beta
- Systematic vs Unsystematic risk

- Diversification
  - The principle of diversification
  - Diversifiable risk
  - Total risk
  - Systematic risk principle
  - Measuring systematic risk
    - Beta
- Security market line
  - Reward to risk ratio and market efficiency
  - Slope and intercept
- CAPM

## **Chapter 14**

- Understand and be able to calculate:
  - Cost of Equity
  - Cost of Debt
  - Capital structure weights
  - WACC