

MN50324: MAF Corporate Finance, Semester 2, 2009.

Suggested Easter Revision.

Exam Structure: (4 questions: all compulsory: each worth 25 marks)

Section A: Calculation section:

1 game-theory question.

1 numerical question.

Section B: Essay section:

2 essays.

I suggest that you consider the following revision over you Easter break.

a) Numerical Questions:

What numerical questions have we covered in the course?-

Decision trees (in the seminar).

Real Options (numerical examples from RWJJ: “Ice Hotel”): see the lecture slides....

Capital Structure (2 methods: see seminars)

Gordon Growth model (see lecture slides...)

I suggest that you practice these over the Easter break.

b) Game Theory.

Extensive form games (eg Real options exercise 1: see seminars)

Normal form games (Real Options exercise 2: covered in seminars and in lecture)

Signalling Games: (dividend signalling: see my SSRN paper and lecture). (debt signalling game: see this week’s seminar)

Venture capitalist/entrepreneur game: see next week’s lecture.

I suggest practice of these over the Easter break.

c) Essays.

When considering the possible essay topics, it is worth considering the structure of the course. We covered the following 4 topics:

1. Investment appraisal/real options.
2. Capital Structure/ (MM irrelevance theorem, agency problems, asymmetric info/signalling, pecking order versus trade-off).
3. Dividend policy/share repurchases.
4. Venture capital (next week).

I suggest that you consider how you would write essays on the following:

- a) "Investment appraisal is a now-or-never decision." Discuss, with reference to real options.
- b) "Capital Structure is irrelevant". Discuss.
- c) "Dividend Policy is irrelevant." Discuss.
- d) "Venture capitalists and entrepreneurs must be aware of the double-sided moral hazard problem when negotiating contracts with each other." Discuss.

These are very general questions, which provide the basis for more specific questions that could arise in the exam. I suggest that you prepare essay plans/essays for each of these, and we will go over them in revision lectures after Easter.

RJF March 19th 2009.