The exit exam is given in the Advanced Financial Management (FINA40153) class. The exit exam counts as 10% of the course grade. Students graduating with a Bachelor degree in Finance should be knowledgeable of the following:

**Firm Performance**

- Understand agency theory, agency problem, and ways firms can minimize the agency problem
- Explain the goal of a firm and how corporate governance policies influence management’s actions to achieve the goal
- Understand the uses of financial statement analysis
- Be able to construct a simple income statement and balance sheet
- Calculate the following ratios: profit margin, return on equity, return on assets, book value per share, times interest earned, total asset turnover, current ratio, quick ratio, market-to-book equity, book debt-equity ratio, EPS, P-E ratio
- Calculate the firm’s capital structure weights
- Calculate the firm’s weighted average cost of capital
- Be able to evaluate a project’s cash flows using payback period, discounted payback period, net present value, internal rate of return, and modified internal rate of return
- Determine the impact of project value on firm value
- Be able to develop a project’s cash flows
- Understand why the WACC curve is u-shaped

**Time Value of Money**

- Understand the concept of time value of money
- Find number of periods or interest rate for lump sum cash flow if given PV and FV
- Calculate PV or FV of a lump sum, an annuity, and an annuity due
- Find PMT, interest rate, or number of payments in annuity or annuity due problem with annual or non-annual payments
- Find the PV, PMT, or interest rate for a perpetuity
- Find PV for a growing perpetuity
- Find the PV or FV of an uneven stream of cash flows.
- Calculate the effective annual rate for an interest rate compounded more than one time per year
- Prepare a loan amortization table
- Understand the effect of time and interest rate on present and future values of a cash flow
Risk, diversification, asset pricing

- Determine the profit or loss on a futures contract
- Understand the difference between long and short positions on securities
- Calculate beta for a portfolio of stocks.
- Explain the benefits of diversification related to portfolio return and risk
- Understand the difference between systematic and unsystematic risk.
- Know how to calculate portfolio risk, return, and beta

Valuation

- Understand what determines value of any asset
- Determine the value and profit of a portfolio containing options
- Understand the impact of stock price, strike price, time to maturity, and volatility on option value
- Know the put-call parity relationship.
- Calculate the price of a bond with annual or semiannual payments
- Calculate the yield to maturity of a bond
- Understand the impact of time to maturity on changes in bond prices as yield changes
- Understand the difference between premium, par value, and discount bonds
- Calculate the value of common stock using the dividend growth model, market multiples, and firm’s free cash flows.
- Calculate the value of common stock with non-constant dividends
- Calculate the expected return of common stock
- Calculate the price and expected return of preferred stock
- Calculate enterprise value

Monetary Policy and Debt and Equity Capital Decisions

- Explain relative riskiness of bonds, preferred stock, common stock relative to claims on assets and claims on income
- Understand how to determine if the firm is operating at its optimal capital structure
- Use the Hamada equation to unlever or relever beta.
- Understand the effects of debt on firm value, cost of debt, and cost of equity
- Explain the concept of risk spread and its impact on investing.
- Explain the purpose of financial systems
- Understand the causes of bank run
- Understand aggregate demand and aggregate supply
- Explain the causes and consequences of inflation
- Understand how the yield curve is developed and what it tells an investor.
- Understand the concept of purchasing power.
- Explain bond duration