

In-class Exercise 1

Your firm has book equity worth \$6 billion, debt worth \$4 billion, assets worth \$10 billion. The market values your firm's 100 million shares at \$75 per share and the debt at \$4 billion

What is the market value of your assets?

In-class Exercise 2

You have just made your first \$4000 contribution to your retirement account.

Assuming you earn an 11 percent rate of return and make no additional contributions, what will your account be worth when you retire in 45 years?

what if you wait 10 years before contributing? (does this suggest an investment strategy?)