Quiz #1 (2024)

1. (9) Define the following terms briefly:
   * 1. **Double taxation**
     2. **Secondary Market**
     3. **Arbitrage opportunity**
2. (6) The book value of company’s assets usually does not equal the market value of those assets. What are some reasons for this difference?
3. (9) On April 4th of 2023, Starbucks had a book value of equity of $2 billion, 768 million shares outstanding, and a market price of $30 per share. Starbucks also had cash of $207 million, and total debt of $1.4 billion.
   1. What are Starbucks’ market capitalization?
   2. What are Starbucks’ market-to-book ratio?
   3. What are Starbucks’ market debt-equity ratio?
   4. What are Starbucks’ enterprise value?
4. (5) Consider a security that pays its owner $100 today and $100 in one year, without any risk. Suppose the risk-free interest rate is 10%. What is the no-arbitrage price of the security today (before the first $100 is paid?) If the security is trading for $195, what arbitrage opportunity is available?