1.

a) $k_x = 0.10 + 1.0(0.06) = 0.16$

$$V_x = \frac{\$0.64m}{0.16} = \$4m$$

b) The extra $150,000 is being generated by assets with unchanged systematic risk and thus can be discounted at 16%

$$Gain = \frac{\$150\,000}{0.16} = \$937\,500$$

$$NPV_{Yam} = \$937,500 - \$500,006 = \$437,500$$

Tutorial #:	9	*Student Name:*	James La Fontaine	*Student ID:*	1079860

Only answers to **Part B questions** are to be submitted by 10:00 am on Monday of the tutorial week. Please note the following:

1. Only **handwritten** work on this hand-in sheet will be marked for reasonable effort. You can either write your answers on this hand-in sheet or write your answers on a piece of paper with your name and student ID written on the top of the page.
2. Only **one** submission per student will be marked. Please make sure that you upload only one file either as a scanned **PDF file** or as a **JPG/PNG picture file**. Other formats will not be accepted by the system.
3. Please fill out all the information before submission.

2.

a) Gain $= 10+5+\frac{250,000}{0.1} - (10+5) = \$2.5m$

b) Net cost $= 7m - 5m = \$2m$

c) Net cost $= \frac{5}{17.5} \times (15+2.5) - 5 = 0m$

d) i NPV $= 2.5m - 2m = \$0.5m$ or $500k

ii NPV $= 2.5m - 0 = \$2.5m$

3.

a) Gain $= 400m + 19.2m + \frac{2m}{1.12^2} + \frac{0.9m}{0.12}\left(1-\frac{1}{1.125}\right) + \frac{0.3m}{0.12}\left(1-\frac{1}{1.125^5}\right) - (400m+19.2m)$

$= \$5.92m$

b) $b = x * 8m / (100m + x * 8m)$

$0.5 = 8x/(100+8x)$

$0.5(100+8x) = 8x$

$50+4x = 8x$

$50 = 4x$

$x = 12.5$ shares

12.5 Bidder Ltd shares for each share in Target Ltd