Be Prepared to Discuss These Question Regarding Fama French (1992)

1. What is the contribution of this paper? Why is it the most important in Finance in the last 25 years?

2. What are the two empirical implications of the CAPM?

3. What are the empirical contradictions to the CAPM?

4. What do they want to test in this paper?

5. What do they conclude?

6. Why do the start with data in 1962?

7. Why do they leave a six-month gap between the date of the book-equity and the market-equity variables?

8. How often are they recalculating the variables?

9. Do you see any issues in the rules they are using, data they are requiring firms to have?

10. How do they estimate βs? What are these "pre-ranking" βs? How do they separate out β from size and why are they worried about it?

11. What the post-ranking βs?

12. What are the Fama-McBeth regressions that they run in Table 3?

13. How do you interpret the coefficient of a cross-sectional regression?

14. How is that different from the coefficient one gets from a time-series analysis?

15. Please give an example of a time-series regression coefficient that is calculated in this paper and an example of cross-sectional regression coefficient that is calculated in this paper?

16. If the CAPM does not hold does that mean that markets' are inefficient?