

Question 1

The CAPM can be used

- 1) To calculate the cost of equity.
- 2) To calculate the cost of debt.

Correction: both

Question 2

Under the assumptions of Modigliani-Miller, an increase in the leverage of the company will

- 1) not affect the cost of equity
- 2) increase the cost of equity
- 3) not affect the cost of capital
- 4) increase the cost of capital
- 5) not affect the firm value
- 6) increase the firm value

Correction: 2,3,5

Question 3

Under the semi-strong market hypothesis, you can anticipate future returns if you are

- 1) An insider trader
- 2) Following economic news
- 3) Analyzing trends in time series of historical returns

Correction: 1