1-1:

What is a firm’s intrinsic value? Its current stock price? Is the stock’s “true” long-run value more closely related to its intrinsic value or to its current price?

1-2:

When is a stock said to be in equilibrium? Why might a stock at any point in time not be in equilibrium?

1-4:

Is it better for a firm’s actual stock price in the market to be under, over, or equal to its intrinsic value? Would your answer be the same from the standpoints of stockholders in general and a CEO who is about to exercise a million dollars in options and then retire? Explain.

1-11:

Edmund Enterprises recently made a large investment to upgrade its technology. While these improvements won’t have much effect on performance in the short run, they are expected to reduce future costs significantly. What effect will this investment have on Edmund Enterprises’ earnings per share this year? What effect might this investment have on the company’s intrinsic value and stock price?

2-3:

Is an initial public offering an example of a primary or a secondary market transaction?
Explain

2-5:

What would happen to the U.S. standard of living if people lost faith in the safety of thefinancial institutions? Explain

2-9:

Briefly explain what is meant by the term efficiency continuum.

2-10:

Explain whether the following statements are true or false.
a. Derivative transactions are designed to increase risk and are used almost exclusively by
speculators who are looking to capture high returns.
b. Hedge funds typically have large minimum investments and are marketed to institutions and
individuals with high net worth’s.
c. Hedge funds have traditionally been highly regulated.
d. The New York Stock Exchange is an example of a stock exchange that has a physical location.
e. A larger bid–ask spread means that the dealer will realize a lower profit.

3-1:

What four financial statements are contained in most annual reports?

3-4:

Explain the following statement: While the balance sheet can be thought of as a snapshot
of a firm’s financial position at a point in time, the income statement reports on operations
over a period of time.