COLLECTIONS

Honour School of Economics and Management
Honour School of History and Economics
Honour School of Philosophy, Politics, and Economics

FINANCE

TRINITY TERM 2020

3 Hours

Please start the answer to each question on a separate page.

There are TWELVE questions.

Answer THREE questions.

Do not turn over until told that you may do so.
FINANCE

Answer THREE questions

1. Discuss this statement:
   "CAPM is a flawed model that should never be used"

2. Given the fact that the market is efficient, trading strategies based on publicly available information are hopeless. Discuss this statement.

3. Discuss this statement
   “It is difficult for entrepreneurs to raise finance because investors and creditors irrationally impose exorbitant demands”

4. Explain the concept of two fund separation. Does this change the portfolio investors should select?

5. Is there sufficient evidence in support of the trade-off theory? How does the literature explain some of the patterns observed in the data?

6. What actions did regulators take in response to several corporate governance scandals in the 1990s and 2000s? Are there differences across countries in their approach to corporate governance issues?

7. Is arbitrage pricing theory superior to CAPM?

8. Is market efficiency important?

9. Discuss this statement: "An agency model can perfectly explain the relationship between the 'Insiders' and investors of a firm."

10. Why is Arbitrage Pricing Theory celebrated? Should it be celebrated?
11. Explain how global diversification of stock holdings is incentivized according to a world CAPM model.

12. Discuss this statement

"Multinationals are structured in such a way as to exploit the structure of the international tax system. Due to this, it is necessary to have a low corporate tax rate to disincentivize its abuse and to increase investment."