LESSON 18

Lecture Topics

1. Dogs of the Dow
2. FCFE - a troubleshooting guide
3. firm value and leverage - growth impact
4. firm value and leverage - opportunity cost impact
5. mid-term examination review - bonus question

Notes

1. Assignment (REMINDER): For Thursday turn in as homework 3 true-false type examination questions similar to those on question 1 of the mid-term examination, and the benchmark answers you would provide for those questions.

2. QUIZ: on Thursday the 18th we will have a twenty minute quiz related to the simple dividend discount model: true-false-discuss questions or conceptual problems like the mid-term bonus question.

3. Some of the issues in using the dividend discount model approach (again):
   a. valuing non-dividend or low-dividend stocks
   b. conservative valuation of off-the-book assets
   c. a short-run contrarian model
   d. difficulty in accurate estimation of growth
   e. lack of long-run stability in financial structure
   f. beta drift
   g. parameter drift in model extensions

----- BUT it is still the kernel theory for all of modern finance!