

2011 Ph.D. Program Entrance Exam

1. Please answer the following questions concerning with RISK and RETURN

(1) Please compare the different definitions of RISK in terms of VARIANCE, BETA, AND VAR.

(2) According to CAPM, the expected return on a risky asset depends on three components. Describe each component, and explain its role in determining expected return.

(3) According to portfolio theory, RISK can be massively diversified away, what are the key factors?

2. Please answer the following questions concerning with INVESTING and FINANCING

(4) What are the conflicts between NPV and IRR methods in evaluating projects?

(5) Please explain why the cost of debt financing is cheaper than equity financing.