

## BSAS 2010 Practice Exam Addendum (rev. 6/1/10)

Thank you for your comments and questions. All submitted comments were reviewed and considered by our exam coordinator and team of level coordinators. Only questions that were incorrect or needed further clarification are included on this addendum.

### Level I: Afternoon Session

Answer 38: Value =  $(150/375)/(4/14) = .40/.28 = 1.40$

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### Level II: Morning Session

#### Item Set 3

Answer 15. A. Both methods result in the same ROE, but one is not allowed in the US.

#### Item Set 5

Answer 30. C. BVPS will decrease after a buyback where the stock price is higher than accounting BVPS.

#### Item Set 6

Answer 36. Step 2: Solve the first equation for PVGO  
 $V_0 = P_0 / sh \times \text{shares outstanding} = 34.25 * 100 = \text{BRL } 342.5$   
 $E_1 / r = \text{BRL } 15 / 23.5\% = 63.8$   
 $PVGO = 342.5 - 63.8 = 278.7$   
 $= 278.7 / 342.2 = \mathbf{81.4\%}$  (answer remains B)

### Level II: Afternoon Session

#### Item Set 4

Answer 29. The estimated share price =  $\$781.09 / 70 = \mathbf{\$11.158}$

#### Item Set 5

Question 31. Exhibit 6-1 Income Statement  
 $\$98,600 - 800 - 7400 = \$90,400$  Net Income

Answer 31. Free cash flow to firm is calculated as:  
 $= (\$90,400 + \$12,000 + (\$800 * (1 - 7.5\%)) - (\$2,000) - \$40,000$   
 $= \$61,140$

#### Item Set 8

Dates in Exhibit 8-2 should be 2010, 2011, 2012, 2013

#### Item Set 6

Answer 33. Replace WACC with  $K_e$   
The justified price to sales ratio is calculated as:  
 $P_0/S_0 = (\text{Net Margin} * (1 - \text{retention rate}) * (1 + g)) / (r - g)$   
 $.236 * .667 * (1.07) / (.092 - .07) = 7.65$

Answer 34. Replace WACC with  $K_e$

Answer 36. Replace WACC with  $K_e$  ;  
 $V_0 = [((.22 - .092) / (.092 - .07)) * 370,700] + 370,700 = \$2,526.8$  (answer changes to C)

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### Level III: Morning Session

#### Question 6, Part B Answer

6B. Large Cap Value misfit active return =  $10\% - 11\% = (-1\%)$   
Mid Cap misfit active return =  $18\% - 11\% = 7\%$