

Session 1: Post Class tests (Solutions)

1. f. All of the above. Everybody needs to have a grasp of valuation.
2. c. The market is sometimes wrong, but that it corrects itself eventually. You need the market to make mistakes for your valuation to have a chance, but you need the market to correct its mistakes, if you want to make money.
3. e. None of the above. All of the actions will only add to the bias.
4. d. I will be able to value Company A more precisely than Company B, but there will be a bigger payoff to valuing Company B. With its long and stable history, you should be able to value company A more precisely, but so will everyone else. You will value Company B less precisely, but most people will give up. Your payoff will be greater with Company B.