

Lecture 12: Midterm Review - Questions

Dr. Arthur Morris

Question 1

“Could you please provide more details about the structure of the exam?”

Thanks for the specific follow up questions!

“I understand there are five sections, and one of them is multiple choice. Could you tell me how many multiple-choice questions there will be?”

Either zero (if you choose not to use this section), or eight.

“Additionally, for the section with longer questions, will there be multiple sub-questions?”

Yes.

“Will these questions be exactly the same as those we’ve seen in our homework assignments?”

Yes. Though the questions will be modified to simplify and focus them. For example, rather than ask you to calculate marginal costs for all products and firms, I might ask one sub question per firm asking for marginal costs for one product for each of the firms.

And just to confirm, is the midterm only covering Lectures 1 to 9?

Yes. P1-7, Special Electric, and the key tax concepts.

“Thanks a lot :)))”

My pleasure!

Question 2

“Will there be questions on calculating exact implicit tax or present value?”

This has two parts.

1. Implicit tax: No. This will be a multiple choice question, and it will focus on the definition. Note that there was no question in the homework on this calculation.
2. Present value: Yes. You should know how to calculate present value of a stream of cash flows as covered in the Special Electric case.

Question 3

1. Explain again P5 Question 6 and what is the meaning of “depend on the decision frame”?
2. Explain again Question 2 & 3 of Special Electric Case

I don't plan to cover these two questions in the midterm. They are the intended as a transition to the next part of the course.

Question 4

“Are we required to calculate the after tax return of the financial assets? Will the formula be provided?”

No. This will be a multiple choice question.

“Also, for the tax shield, are we required to remember the exact formula and do some calculations on it. Or we just need to remember the relationship of tax shield and tax rate & depreciation rate?”

No. This will be a multiple choice question.

Question 5

“Is there any sample questions?”

The homework questions are the actual questions that I will be asking you on the exam. I have literally written the questions and the answers to everything on the exam on the slides that I have posted.

Question 6

“Maybe one sample question with the model answer please.

When you take the exam you’ll notice that I’ve done this repeatedly. See the “Question Format” slide (which I’m now showing for the third time), and Lecture 2 slides in the review slides (Note this discussion is in lectures 2, 6, and 12).

“I know the question is similar to the problem set, but we just discuss the problem set in class but not having an explicit marking scheme, the part giving the score.”

You can consider the outlines in lectures 6 and 12 to be the information that correct answers will contain. Please see the example question slides to get a sense of the question format, you’ll notice that the questions can be answered with a couple of sentences stating facts or with lists of steps. Though, the ideas must be coherently expressed.

“It will be very appreciated, thank you Doctor Morris”

Question 7

Tax rate progressivity

This is when the tax rate increases with income (or wealth). This is not going to be on the midterm.

Question 8

“Do we need to memorize these equations and use them in the exam?”

The survey didn’t give me the image that was attached here. But, I do not think that you have to “memorize” and “use” formulas for the exam. Though, the marginal cost, average cost, and incremental cost functions are important to understand, I am not sure that I would call them “equations” that you need to memorize.

Question 9

tax

See the tax terms section of the review session slides.

Question 10

Returns before and after taxes

See the tax terms section of the review session slides.

Question 11

“I am confused about everything on reading 8. I don’t understand how the equation from point 1 translates into the examples in point 2.

“Also I am curious how we could study for our upcoming midterm. Do we mainly focus on the questions (problem sets)

Yes! P1-7, Special Electric, and the key tax concepts.

and is there any way we could get a hand of the recording for the lectures up until now? It is really hard to understand the concepts without any recordings and just through text + problems.”

I have posted recordings of all of the lectures through the end of the add/drop period.

Question 12

“Will we get a lecture overview sheet like we did for lecture 6 that contains the important parts of each lecture?”

The lecture 12 (today’s) overview sheet is posted on the course website.

“Also, are the concepts presented on the lecture overview sheet all the content that will be on the exam or will we have to know things that wont be on the lecture overview?”

The review sheet from today is complete, though note that there are a few links to particular sections of the slides that you should review.

Question 13

Hi I’m just wondering if it is possible to upload the answers of the homework, like the excel file and answers for the in text question. Thank you!

Most of those questions are too open ended for the exam. I recommend that you focus on what is covered in these review slides.

Question 14

How does tax shields work exactly?

To answer this we'll need to look at the formula. But please remember that you do not have to memorize the formula for the exam.

Do we have to explain how pensions and life insurance work for the organizational form arbitrage in the midterm?

Nope, just understand the definitions reviewed in the lecture today.

Would there be any short questions for the tax session? Or would it be all MCs?

All MC.

Question 15

Can you go through the special case and the homework assignment again~

Can you give me a more specific question? This seems like you're asking me to do nine lectures in one go!

Question 16

Do i need to know the formulas for depreciation tax shield?

No.

Question 17

“Are there any practices we could do in order to prepare for the midterm?”

I would focus on P1-7, Special Electric, and the key tax concepts. Since that is where the questions will come from.

Question 18

“How do we focus on the setup and interpretation of python coding during our revision? Thanks.”

- Setup: I would focus on the data analysis steps. Can you explain them to someone else who is comfortable with python (or excel)?
- Interpretation: This is not specific to python. This is about being able to explain the real-world meaning of the numbers or graphs that we produce.

Question 19

Which part is the most important and takes the larger proportion of mark, phase I or II and what specific of items of that phase?

To the extent that I understand this question, the midterm will focus on P1-7, special electric, and the key tax concepts. The only way that I can be more specific than that is to tell you the questions that will be on the exam, which I can't do.