

**Corporate Finance, Spring, 2018**

**Final Exam 1, Saturday May 12<sup>th</sup>, 2018**

**Writing time: 4 hours.**

Final exam maximum score is 30 points. 15p in the final exam, and 50p in the whole course, are required for a passing grade.

Avoid essay answers longer than a single page. Make sure your answers are legible.

*Note! Students in Hanken's Corporate Governance Masters program taking Corporate Finance as a 6 ECTS course instead of 8 ECTS according to their study plan answer only questions 1. and 2.*

1. Why do firms have an incentive to both take excessive risk and under-invest when they are in financial distress? Discuss. **(10p)**
2. Why do companies provide trade credit? Discuss. **(10p)**
3. Explain how asymmetric information between company insiders and outside investors affects a stock market listed firm's payout policy. **(10p)**

*Good Luck!*