

INSTRUCTIONS:

- A. Blue books will be provided.
Answers must be written in ink. You will provide your own pens.
- B. There are four questions below. You must answer three.
Legible, complete, concise, and detailed answers will earn the highest scores.
- C. ***At the time of the exam, the instructor may narrow the scope of questions by eliminating a fraction of or eliminating fractions of a question.***
- D. You may bring this sheet of paper into the classroom with any HANDWRITTEN material you wish on *either side* of this sheet. The text on this page shall be printed in full size.

QUESTIONS:

1. UNCERTAINTY REDUCES FORECASTED VALUE:

- 1A. Consider four sources of uncertainty listed below.
 - 1Ai. revolutionary product;
 - 1Aii. multiple owners contesting percent of ownership;
 - 1Aiii. new substitute for a complementary input;
 - 1Aiv. non-exclusive license.
- 1B. Describe, one at a time,
how each source of uncertainty distorts investment decisions.
- 1C. Which uncertainty causes the greatest distortion? Explain.

2. STEWART:

- 2A. Using four or fewer sentences for each of the four items below, define:
 - 2Ai. data & information & knowledge;
 - 2Aii. leverage & total factor productivity;
 - 2Aiii. bounded rationality & firm & market;
 - 2Aiv. synchronicity & network effects.
- 2B. Pick a form of IP from 4A.
Identify and explain the contours of its value using all of the terms in 2Ai-iv.

3. NET PRESENT VALUE:

- 3A. Explain how "net present value" works. Use the Rule of 70 in your answer.
- 3B. Identify a fundamental flaw in standard net present value analysis.
Explain how that flaw distorts the results of NPV analysis.
- 3C. Identify four forms of depreciation.
Using one sentence for each form, define each.
Explain why coupling depreciation with a cash expense sinking fund improves NPV analysis.

4. FORMS OF IP AND METHODS OF VALUATION:

- 4A. There are four major forms of intellectual property; identify them.
Following each identification, define each using one or two sentences.
- 4B. There are three major forms of valuation; identify them.
Following each identification, define each using one or two sentences.
- 4C. Match each form of IP and its best method of valuation.
Following each match, justify your matching using three or four sentences.