

Name \_\_\_\_\_

April 24, 2017

Quiz 21. Chapter 17. Asset Prices and Finance pp. 730-743

1. Set up and solve the model with bonds (Sections 17.2.1 and 17.2.2).
2. Set up the model in which the household owns stock in the firm rather than renting capital to the firm.
3. Derive the value of the firm using the firm's Bellman equation.
4. What real world problems are solved by having equity financing with firms owning capital rather than households?