



**Foundations of Corporate Finance and Enterprise
Risk Management (CFEFD) Exam**

Fall 2018 Edition

Practice Questions

Objective 1



Corporate Finance, Berk, Jonathan and Demarzo, Peter, 3rd/4th Edition
Chapter 8: Fundamentals of Capital Budgeting

1. A firm has revenue and costs as follows, with a tax rate of 40%. Calculate the Unlevered Net Income for each year.

Year	0	1	2	3	4	5
Sales	-	25,000	30,000	35,000	40,000	45,000
COGS	-	(15,000)	(18,000)	(21,000)	(24,000)	(25,000)
Depreciation	-	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Selling, Admin	-	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
R&D	(10,000)	-	-	-	-	-

2. Assume that a firm has Unlevered Net Income as below. Further assume that to do this project; the firm will have to use a warehouse that it currently rents out for \$200 per year. Also assume that the firm has spent \$1,200 on previous R&D 5 years ago. Calculate the adjusted Unlevered Net Income for this firm. (Tax rate is 40%)

Year	0	1	2	3	4	5
Unlevered Net Income	(6,000)	3,900	5,100	6,300	7,500	9,900

3. A project has sales of \$25,000 each year with COGS of \$10,000 starting at the end of the year. The company also expects marketing/sales expenses of \$4,000 each year. The company will invest \$16,000 in R&D today. The company has a tax rate of 40%. The company will have 15% of its sales on account and pay for 20% of its COGS on account. The company expects depreciation of \$2,000 per year. This project will require an initial capital expenditure of \$10,000. The salvage value of the project after the 5 years will be \$6,000. Calculate the FCF each year and the NPV (with a 12% discount rate).
4. Define Incremental Earnings.
5. Define an Opportunity Cost.
6. Suppose HomeNet's new lab will be housed in a warehouse that the company would have otherwise rented out for \$400,000 per year during years 1-4. How does this opportunity cost affect HomeNet's Incremental Earnings? Calculate the discounted value of this opportunity cost. Assume a discount rate of 10%.
7. Define Cannibalization.

Use the following information for the next 5 questions.

Assume that a company can sell a new tablet model for \$260 a unit and expects to sell 100,000 units per year for 4 years. After 4 years the product will not be sold anymore. The COGS for the company is \$11 million per year. The company's initial R&D expense is \$15 million at time 0. The company expects selling and general administration to cost \$2.8 million per year. The company also has depreciation related to this product of \$1.5 million per year for years 1 to 5. The company's tax rate is 40%.

8. Calculate the unlevered net income for years 0 to 5 for this company.
9. Calculate the Net Present Value of this company's unlevered cash flows using a 12% discount rate. Comment on whether it is a good investment.
10. Assume that the company has an old tablet that currently sells for \$100 per unit. The company currently sells 25,000 units per year. The sale of this old table is expected to be 0 units per year after the addition of the new tablet. The old tablet cost \$60 per year to make and this would be a direct savings to COGS with the addition of the new tablet. Calculate the Unlevered Net Income for the firm taking into account the cannibalization of the sales of the old tablet.
11. Using the same 12% discount rate, calculate the Net Present Value of this investment taking into account the cannibalization of the old tablet.
12. Assume that the initial Capital Expenditures (CapEx) associated with this project is \$7.5 million at time 0. Further assume that this project would require an increase in Net Working Capital (NWC) of \$2.1 million at time 1. This Net Working Capital would no longer be required at time 5 when the product becomes obsolete. With this new information and the calculated unlevered net income from above (taking into account the cannibalization of the old tablet), calculate the Free Cash Flows for each year of the project.
13. Define a Sunk Cost.
14. Calculate the Net Working Capital and Change in Net Working Capital for the company below.

Year	0	1	2	3
Cash	500	600	700	800
Inventory	1000	1200	1000	800
A/R	700	800	600	500
A/P	800	700	600	500

15. Define a company's Trade Credit.
16. Calculate the Company's Trade Credit for each year.

Year	0	1	2	3	4	5
A/R	-	3,525	3,525	3,525	3,525	-
A/P	-	1,425	1,425	1,425	1,425	-

17. Assume that a company has two projects that it can choose from. Project 1 is relatively safe and only demands a discount rate of 6%. Project 2 has a much higher level of risk and demands a discount rate of 15%. Given the Free Cash Flows below of the 2 projects, calculate the NPV and determine which is the optimal project?

Year	0	1	2	3	4	5
Project 1	(3,500)	1,000	1,200	1,320	1,450	1,600
Project 2	(11,000)	2,500	3,000	3,600	4,320	5,185

18. You are told that the company has sales of 10,000 per year with COGS of 6,000 per year for years 1 to 4. The company has no sales or COGS at time 0. The company has an initial CapEx of 50,000. The initial change in net working capital at time 0 is (2,500) and 2,500 at year 4. The tax rate of the company is 40%. Solve for the company's depreciation for year 1 to year 4 given the FCFs below.

Year	0	1	2	3	4
FCF	(52,500)	3,200	3,200	3,200	5,700

19. Calculate the Depreciation Tax Shield for each year and the present value of depreciation tax shields using a discount rate of 10%. Assume that the company's tax rate is 30%.

Year	0	1	2	3	4
Depreciation	0	1,500	2,000	2,500	3,000

20. Classify each of the following as a Sunk Cost or as costs to include in the calculation:

- Past R&D Expenditures
- Marketing study that proved the previous product was to be replaced
- Cost of the chip used in the new product
- Direct labor of the employees that assemble the new product
- Hiring bonus of a new employee that was hired last year for the old product

21. Define the term Project Externalities.

Use the following cash flow items for the following 4 questions.

Year	0	1	2	3
Sales	-	20,000	22,000	24,200
COGS	-	12,000	13,200	14,520
Selling & Admin	-	2,000	2,400	2,800
Depreciation	-	1,500	1,500	1,500
CapEx	(4,500)	-	-	-
Inc NWC	-	(2,000)	-	2,000

Assume that the company's corporate tax rate is 40%.

22. Determine the company's Unlevered Net Income and its Free Cash Flows.

23. You are interested in testing this projects sensitivity to different discount rates. Calculate the NPV of this project under a 5%, 15% and 25% discount rate. Comment on the sensitivity.

24. You want to test different sales volumes and determine the sensitivity of the NPV. Assume that the discount rate is 15% and calculate the NPV with sales 10% higher and 10% lower. Assume that the COGS stays at a constant percentage of sales. Further assume that all other assumptions are the same.

Solutions

Objective 1



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Chapter 8: Fundamentals of Capital Budgeting

1. Solution

$$\text{Unlevered Net Income} = \text{EBIT} \times (1 - \tau_c) = (\text{Revenues} - \text{Costs} - \text{Depreciation}) \times (1 - \tau_c)$$

Year	0	1	2	3	4	5
Sales	-	25,000	30,000	35,000	40,000	45,000
COGS	-	(15,000)	(18,000)	(21,000)	(24,000)	(25,000)
Depreciation	-	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
R&D	(10,000)	-	-	-	-	-
Selling, Admin	-	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
EBIT	(10,000)	6,500	8,500	10,500	12,500	16,500
Income Tax	4,000	(2,600)	(3,400)	(4,200)	(5,000)	(6,600)
Unlevered Net Income	(6,000)	3,900	5,100	6,300	7,500	9,900

2. Solution

- The lost warehouse revenue is an opportunity cost and should be included in the calculation
- The R&D expense from 5 years ago is a sunk cost and should not be included in the calculation
- The lost warehouse revenue is equal to: $\text{Lost Revenue} = \$200 \times (1 - 40\%) = \120 per year

Year	0	1	2	3	4	5
Unlevered Net Income	(6,000)	3,900	5,100	6,300	7,500	9,900
Lost Rental Revenue		(120)	(120)	(120)	(120)	(120)
Adj. Unlevered Net Income	(6,000)	3,780	4,980	6,180	7,380	9,780

3. Solution

Year	0	1	2	3	4	5
Sales	-	25,000	25,000	25,000	25,000	25,000
COGS	-	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Gross Profit	-	15,000	15,000	15,000	15,000	15,000
Selling, General, Admin	-	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
R&D	(16,000)	-	-	-	-	-
Depreciation	-	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
EBIT	(16,000)	9,000	9,000	9,000	9,000	9,000
Income Tax (40%)	6,400	(3,600)	(3,600)	(3,600)	(3,600)	(3,600)
Unlevered Net Income	(9,600)	5,400	5,400	5,400	5,400	5,400

- At time 6, we can sell the assets and generate after-tax salvage of $6,000 \times (1 - 40\%) = 3,600$
- The project requires a capital infusion of \$10,000 at time 0, $\text{CapEx}(0) = 10,000$
- The A/R is 15% of sales each year or 3,750, the A/P is 20% of COGS each year or 2,000
- Therefore, Net Working Capital (NWC) and change in NWC each year is:

Year	0	1	2	3	4	5	6
A/R	-	3,750	3,750	3,750	3,750	3,750	-
A/P	-	2,000	2,000	2,000	2,000	2,000	-
<i>NWC(t)</i>	-	1,750	1,750	1,750	1,750	1,750	-
$\Delta NWC(t)$	-	1,750	-	-	-	-	(1,750)

- The Free Cash Flow is then:

Year	0	1	2	3	4	5	6
Unlevered Net Income	(9,600)	5,400	5,400	5,400	5,400	5,400	-
Salvage	-	-	-	-	-	-	3,600
Plus: Depreciation	-	2,000	2,000	2,000	2,000	2,000	-
Less: CapEx	(10,000)	-	-	-	-	-	-
Less: Inc. in NWC	-	(1,750)	-	-	-	-	1,750
	(19,600)	5,650	7,400	7,400	7,400	7,400	5,350

$$NPV = -19,600 + \frac{5650}{1.12} + \frac{7400}{1.12^2} + \frac{7400}{1.12^3} + \frac{7400}{1.12^4} + \frac{7400}{1.12^5} + \frac{5350}{1.12^6} = 8,223$$

4. Solution

Incremental Earnings: the amount by which the firm's earnings change as a result of the investment

5. Solution

Opportunity Cost: the value the resources being used could have provided in its best alternative use

6. Solution

The opportunity cost of using the warehouse instead of renting it out would be the lost earnings, which are equal to $\$400,000 \times (1 - 40\%) = \$240,000$ per year.

$$PV = 240,000 \times \frac{1 - \left(\frac{1}{1.1}\right)^4}{0.1} = 760,767.71$$

7. Solution

Cannibalization: when sales of a new product displace sales of an existing product

8. Solution

$$Revenue = \$260 \times 100,000 = \$26 \text{ million}$$

$$Unlevered \text{ Net Income} = EBIT \times (1 - \tau_c) = (Revenues - Costs - Depreciation) \times (1 - \tau_c)$$

Year (000's)	0	1	2	3	4	5
Sales	-	26,000	26,000	26,000	26,000	-
COGS	-	(11,000)	(11,000)	(11,000)	(11,000)	-
Gross Profit	-	15,000	15,000	15,000	15,000	-
Selling, General, Admin	-	(2,800)	(2,800)	(2,800)	(2,800)	-
R&D	(15,000)	-	-	-	-	-
Depreciation	-	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
EBIT	(15,000)	10,700	10,700	10,700	10,700	(1,500)
Income Tax (40%)	6,000	(4,280)	(4,280)	(4,280)	(4,280)	600
Unlevered Net Income	(9,000)	6,420	6,420	6,420	6,420	(900)

9. Solution

$$NPV = -9,000 + 6,420 \times \frac{1 - \left(\frac{1}{1.12}\right)^4}{0.12} - \frac{900}{1.12^5} = 9,989.10$$

- Since the net present value of the unlevered net income is greater than 0, this is a good investment

10. Solution

- The new revenue per year would be $\$100 \times 25,000 = 2.5$ million lower with the lost sales of the old tablet
- The cost of the existing table is \$60 per unit, so COGS will go down by $\$60 \times 25,000 = \1.5 million
- The new cash flows and incremental earnings are given by:

Year	0	1	2	3	4	5
Sales	-	23,500	23,500	23,500	23,500	-
COGS	-	(9,500)	(9,500)	(9,500)	(9,500)	-
Gross Profit	-	14,000	14,000	14,000	14,000	-
Selling, General, Admin	-	(2,800)	(2,800)	(2,800)	(2,800)	-
R&D	(15,000)	-	-	-	-	-
Depreciation	-	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
EBIT	(15,000)	9,700	9,700	9,700	9,700	(1,500)
Income Tax (40%)	6,000	(3,880)	(3,880)	(3,880)	(3,880)	600
Unlevered Net Income	(9,000)	5,820	5,820	5,820	5,820	(900)

11. Solution

$$NPV = -9,000 + 5,820 \times \frac{1 - \left(\frac{1}{1.12}\right)^4}{0.12} - \frac{900}{1.12^5} = 8,166.69$$

12. Solution

Year	0	1	2	3	4	5
Sales	-	23,500	23,500	23,500	23,500	-
COGS	-	(9,500)	(9,500)	(9,500)	(9,500)	-
Gross Profit	-	14,000	14,000	14,000	14,000	-
Selling, General, Admin	-	(2,800)	(2,800)	(2,800)	(2,800)	-
R&D	(15,000)	-	-	-	-	-
Depreciation	-	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
EBIT	(15,000)	9,700	9,700	9,700	9,700	(1,500)
Income Tax (40%)	6,000	(3,880)	(3,880)	(3,880)	(3,880)	600
Unlevered Net Income	(9,000)	5,820	5,820	5,820	5,820	(900)
Free Cash Flows						
Plus: Depreciation	-	1,500	1,500	1,500	1,500	1,500
Less: CapEx	(7,500)	-	-	-	-	-
Less: Inc in NWC	-	(2,100)	-	-	-	2,100
Free Cash Flow	(16,500)	5,220	7,320	7,320	7,320	2,700

13. Solution

Sunk Cost: unrecoverable cost for which the firm is already liable

14. Solution

Net Working Capital = Cash + Inventory + Receivables – Payables

Year	0	1	2	3
Cash	500	600	700	800
Inventory	1000	1200	1000	800
A/R	700	800	600	500
A/P	800	700	600	500
NWC	1400	1900	1700	1600

$$\Delta NWC_t = NWC_t - NWC_{t-1}$$

$$\Delta NWC_1 = 1900 - 1400 = 500 \quad \Delta NWC_2 = 1700 - 1900 = -200$$

$$\Delta NWC_3 = 1600 - 1700 = -100$$

15. Solution

Trade Credit: Difference between a firm's receivables and payables

16. Solution

Year	0	1	2	3	4	5
A/R	-	3,525	3,525	3,525	3,525	-
A/P	-	1,425	1,425	1,425	1,425	-
Trade Credit	0	2,100	2,100	2,100	2,100	0

17. Solution

Year	0	1	2	3	4	5
Project 1	(3,500)	1,000	1,200	1,320	1,450	1,600
Project 2	(11,000)	2,500	3,000	3,600	4,320	5,185

$$NPV_1 = -3500 + \frac{1000}{1.06} + \frac{1200}{1.06^2} + \frac{1320}{1.06^3} + \frac{1450}{1.06^4} + \frac{1600}{1.06^5} = 1,963.84$$

$$NPV_2 = -11000 + \frac{2500}{1.15} + \frac{3000}{1.15^2} + \frac{3600}{1.15^3} + \frac{4320}{1.15^4} + \frac{5185}{1.15^5} = 857.24$$

- Project 1 has lower risk and offers a higher NPV, therefore, Project 1 is the optimal project.

18. Solution

$$FCF = (Revenue - COGS)(1 - \tau_c) - CapEx - \Delta NWC + \tau_c \times Depreciation$$

Year	0	1	2	3	4
FCF	(52,500)	3,200	3,200	3,200	5,700

$$Depreciation = \frac{FCF - (Revenue - COGS)(1 - \tau_c) + CapEx + \Delta NWC}{\tau_c}$$

$$Depr_0 = \frac{(52,500) - (0 - 0)(1 - 0.4) + 50,000 + 2,500}{0.4} = 0$$

$$Depr_1 = Depr_2 = Depr_3 = \frac{3,200 - (10,000 - 6,000)(1 - 0.4) + 0 + 0}{0.4} = 2,000$$

$$Depr_4 = \frac{5,700 - (10,000 - 6,000)(1 - 0.4) + 0 - 2500}{0.4} = 2,000$$

19. Solution

Year	0	1	2	3	4
Depreciation	0	1,500	2,000	2,500	3,000
$Depr \times \tau_c$	0	450	600	750	900

$$NPV_{10\%} = 0 + \frac{450}{1.1} + \frac{600}{1.1^2} + \frac{750}{1.1^3} + \frac{900}{1.1^4} = 2,083.16$$

20. Solution

Sunk Cost	Cost to be Included
Past R&D	Cost of chip to be used
Market Study	Direct labor cost of employees
Hiring Bonus	

21. Solution

Project Externalities: indirect effects of the project that may increase or decrease the profits of the business activities of the firm

22. Solution

Year	0	1	2	3
Sales	-	20,000	22,000	24,200
COGS	-	12,000	13,200	14,520
Selling & Admin	-	2,000	2,400	2,800
Depreciation	-	1,500	1,500	1,500
EBIT	-	4,500	4,900	5,380
Income Tax 40%	-	1,800	1,960	2,152
Unlevered Net Income	-	2,700	2,940	3,228

Year	0	1	2	3
Unlevered Net Income	-	2,700	2,940	3,228
Depreciation	-	1,500	1,500	1,500
CapEx	(4,500)	-	-	-
Inc NWC	-	(2,000)	-	2,000
FCF	(4,500)	2,200	4,440	6,728

23. Solution

$$NPV_{5\%} = (4,500) + \frac{2,200}{1.05} + \frac{4,440}{1.05^2} + \frac{6,728}{1.05^3} = 7,434.35$$

$$NPV_{15\%} = (4,500) + \frac{2,200}{1.15} + \frac{4,440}{1.15^2} + \frac{6,728}{1.15^3} = 5,194.09$$

$$NPV_{25\%} = (4,500) + \frac{2,200}{1.25} + \frac{4,440}{1.25^2} + \frac{6,728}{1.25^3} = 3,546.34$$

- The 10% increase in the discount rate from 5% to 15% reduces the NPV by 2,240.26
- The 20% increase in the discount rate from 5% to 25% reduces the NPV by 3,888.01
- The 10% increase in the discount rate from 15% to 25% reduces the NPV by 1,647.75

24. Solution

Year	0	1	2	3
Sales	-	22,000	24,200	26,620
COGS	-	13,200	14,520	15,972
Selling & Admin	-	2,000	2,400	2,800
Depreciation	-	1,500	1,500	1,500
EBIT	-	5,300	5,780	6,348
Income Tax 40%	-	2,120	2,312	2,539
Unlevered Net Income	-	3,180	3,468	3,809
CapEx	(4,500)	-	-	-
Inc NWC	-	(2,000)	-	2,000
Depreciation	-	1,500	1,500	1,500
FCF	(4,500)	2,680	4,968	7,309

$$NPV_{15\%} = (4,500) + \frac{2,680}{1.15} + \frac{4,968}{1.15^2} + \frac{7,309}{1.15^3} = 6,392.74$$

Year	0	1	2	3
Sales	-	18,000	19,800	21,780
COGS	-	10,800	11,880	13,068
Selling & Admin	-	2,000	2,400	2,800
Depreciation	-	1,500	1,500	1,500
EBIT	-	3,700	4,020	4,412
Income Tax 40%	-	1,480	1,608	1,765
Unlevered Net Income	-	2,220	2,412	2,647
CapEx	(4,500)	-	-	-
Inc NWC	-	(2,000)	-	2,000
Depreciation	-	1,500	1,500	1,500
FCF	(4,500)	1,720	3,912	6,147

$$NPV_{15\%} = (4,500) + \frac{1,720}{1.15} + \frac{3,912}{1.15^2} + \frac{6,147}{1.15^3} = 3,995.44$$

XP Actuarial Practice Exam

Practice Exam 1



1. (8 points)

A firm is considering producing a new fitness product that captures people's steps, distance walked, stairs climbed and captures the user's heart rate. This product is expected to generate the following sales and expenses over the next 5 years. The investment requires a capital expenditure of \$5,000 at time 0. The equipment used to manufacture the fitness product has a life span of 4 years. After 4 years, the equipment can be sold for \$1,000 to another company. The networking capital requirements are contained in the table below.

Year	0	1	2	3	4
Sales	-	20,000	40,000	35,000	10,000
COGS	-	(9,000)	(17,000)	(15,000)	(3,500)
Gross Profit	-	11,000	23,000	20,000	6,500
Selling, General, Admin	-	(6,000)	(3,000)	(3,000)	(1,000)
R&D	(5,000)	-	-	-	-
Depreciation	-	(1,250)	(1,250)	(1,250)	(1,250)
EBIT	(5,000)	3,750	18,750	15,750	4,250
Income Tax (40%)	2,000	(1,500)	(7,500)	(6,300)	(1,700)
Unlevered Net Income	(3,000)	2,250	11,250	9,450	2,550
Net Working Capital	0	2,000	1,200	1,200	1,000

(a) (1 point)

Define a sunk cost.

(b) (3 points)

Calculate the free cash flows for each year.

(c) (1 point)

Assume that the cost of debt for this firm is 4%, the cost of equity is 10%, the debt-to-value of the firm is held constant at 40%. Compute the WACC for this firm. This project has similar risk as the firm as a whole.

(d) (1 point)

Compute the levered value of this project and the NPV.

Two years after releasing the product the company decides to list their shares publically.

(e) (2 points)

What are the advantages and disadvantages of a company going public?

XP Actuarial Practice Exam

Practice Exam 1

Solutions



1. Solution

(a) (1 point)

Sunk Cost: unrecoverable cost for which the firm is already liable

(b) (3 points)

The free cash flows each year are calculated as follows:

$$FCF = (Revenues - Costs - Depreciation)(1 - \tau_c) + Depreciation - CapEx - \Delta NWC$$

Year	0	1	2	3	4	5
R&D	(5,000)	-	-	-	-	-
Depreciation	-	(1,250)	(1,500)	(1,500)	(1,500)	-
EBIT	(5,000)	3,750	18,750	15,750	4,250	-
Income Tax (40%)	2,000	(1,500)	(7,500)	(6,300)	(1,700)	-
Unlevered Net Income	(3,000)	2,250	11,250	9,450	2,550	-

Net Working Capital	0	2,000	1,200	1,200	1,000	0
$\Delta NWC(t)$	-	2,000	(800)	0	(200)	(1,000)

Year	0	1	2	3	4	5
Unlevered Net Income	(3,000)	2,250	11,250	9,450	2,550	0
+ Salvage after tax	-	-	-	-	-	600
+ Depreciation	0	1,250	1,250	1,250	1,250	0
- CapEx	5,000	0	0	0	0	0
- $\Delta NWC(t)$	0	2,000	(800)	0	(200)	(1,000)
FCF	(8,000)	1,500	13,300	10,700	4,000	1,600

(c) (1 point)

The weighted average cost of capital (WACC) is:

$$r_{WACC} = \frac{E}{E + D} r_E + \frac{D}{E + D} r_D (1 - \tau) = (1 - 0.4)(0.1) + (0.4)(0.04)(1 - .4) = 0.0696$$

(d) (1 point)

The levered value of the firm is:

$$V_0^L = \frac{1,600}{1.0696} + \frac{13,400}{1.0696^2} + \frac{10,800}{1.0696^3} + \frac{4,100}{1.0696^4} + \frac{2,600}{1.0696^5} = 27,024.42$$

$$NPV = V_0^L - 13,000 = 27,024.42 - 13,000 = 14,024.42$$

(e) (2 points)

Advantages/Disadvantages of a company going public:

Advantages:

- Influx of capital immediately, as well as in the future if successful
- Equity advantages
- An increased market value
- Mergers and acquisitions
- Enhanced image, prestige and reputation
- Less dilution of ownership for similar funds received
- Advantages to shareholders
- Incentives towards success

Disadvantages:

- Immediate dilution of holdings and possibility for the loss of control of the company
- High risk, volatility, irreversibility
- Time and energy requirements
- Privacy loss through public disclosure
- Reduced decision-making flexibility
- Pressures to pay dividends or improve stock performance
- Costly upkeep of investor relations
- Insider sales restrictions
- Expenses:
 - Underwriter's compensation, Legal fees, Accounting fees, The road show – costs of presentations to investors, Printing and engraving costs
- Ongoing costs of a public company