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Part Two  
Answers

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## Why Maximize Value?

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1. B
2. B, C, E, F, H
3. C
4. B, C
5. B, C
6. B, D
7. A, B, D
8. A. Growth in earnings.  
B. Declines in interest rates.  
C. Mega-capitalization stocks associated with the *Internet bubble*.
9. A. Internet bubble.  
B. LBO bubble.
10. Countries with the lowest returns have been those that experienced the most economic upheaval, often with long periods of high inflation, civil

strife, or defeat in war. These markets have relatively few companies listed on stock markets, compared with the United States and United Kingdom. In addition to higher returns in the United States, P/E and market-to-book ratios have been significantly higher for the U.S. market when compared with Europe and key Asian markets. Performance differences explain much of the difference in valuation, particularly in the case of return on capital. U.S. companies consistently earn higher returns on capital than companies in Europe and Asia.