

Corporate Finance, Module 12: "Corporate Financing"

*Homework Assignment*

(The attached PDF file has better formatting.)

The textbook says that stockholders have control rights and residual cash flow rights.

- A. How do shareholders exercise their control rights?
- B. How are their control rights constrained by the firm's management?
- C. Why are their cash flow rights termed residual?
- D. Why might you prefer to be a bondholder during recessions and a shareholder during boom years?