

Economics of the pulp and paper industry, exam 18.12.08

- Right answer gives +1 point
- Wrong answer gives -1 point
- No answer (not know) gives 0 point

• Name: _____

• Number: _____

	Right	Wrong	Not know
Profitability of pulp&paper industry in Europe since 2000 has been acceptable			
About 40 % of paper and board consumption is in printing&writing papers			
Consolidation of the pulp&paper industry in Europe has been driven by Nordic companies			
Modern pulp mills generate excess energy			
The invention of groundwood and sulphite pulping started the development of Nordic forest industry			
Production of sawn timber in Finland has increased since 2000			
In Finland, private persons own less than 30 % of forest area			
The pulp&paper industry had peak earnings around 2000			
World paper consumption 2006 was less than 300 million tons			
Sales price is the most important purchasing factor in bulk products			
Advertising is an important explanatory factor for growth in printing&writing papers			
Real prices have declined in many grades by aprox. 1 %/a			
The share of recycled papers of global papermaking fibers is approximately 50 %.			
North America is the biggest producer of recycled papers			
Technical age takes into account modernizations done during the life of a mill/machine			
Forest land area in Europe is growing			
Half of global forest harvest is used for fuel wood			
By definition, total drain equals industrial consumption			
In Canada, provinces own most of the forests			
Hardwood costs at mill in Brazil are less than half of the costs in Scandinavia			
Recycled paper prices have fluctuated a lot			

North America and Europe export recycled paper			
The present CO2 concentration is aprox. 380 ppm			
The purpose of the Kyoto protocol is to stabilize the CO2-content at present level			
Price of CO2 emissions will not affect the cost of fossil fuels			
Modern pulp mills will turn in the future to biorefineries			
Pulp&paper industry globally is fragmented			
In large companies shutting down old capacity is one way to improve profitability			
Pulp/paper indutry investments/sales has been stagnant in Europe and North-America since 1990			
Write-downs lower company EBITDA			
ROCE cannot be improved by faster asset turnover			
ROCE can be improved short term by lowering investments			
Managment accounting gives reliable answers, when the changes contemplated are close to another			
Replacement investments improve company ROCE			
Guarantees are the most important purchasing criteria			
Exchange rate fluctuations are not a factor of uncertanty in cost competitivnes analysis			
After start-up of new paper machine project cash-flow ususally still continues to decline			
Financial integration gains synergies through streamlining			
A derivative is a financial instrument			
In newsprint, cost competitivnes analysis can be made both for new and exisiting paper machines			

Define IRR (3 words)

Define WACC (4 words)