

Note: If the question in the video is labeled with a number, i.e. 1,2,3, please ignore. Questions are labeled in the playlist by number and are in the same order in this pdf.

1. Nike Inc. just paid a dividend of \$5.70 per share which is expected to increase by 5.40% per year in perpetuity. If investors require an 8.70% annual rate of return, what is the price of the stock today?

- a. \$155.60
- b. \$172.73
- c. \$69.06
- d. \$223.93
- e. \$182.05

2. ABC Ltd. has just paid a dividend per share of \$2.70. It is expected that earnings growth each year will be 3.90% indefinitely. If the shareholders require a 9.80% annual return, then what should the stock price be in 2 years from today?

- a. \$57.64
- b. \$49.40
- c. \$39.11
- d. \$45.76
- e. \$51.33

3. What is the expected constant growth rate of dividends for a stock currently priced at \$59, just paid a dividend of \$3.78 and has a required return of 12.80%?

- a. 3.39%
- b. 4.62%
- c. 6.41%
- d. 12.03%
- e. 6.01%

4. Today Treetops Corp. stock sells for \$70 and it expects to pay an upcoming dividend of \$1.40 per share. The company has a policy of reinvesting 45% of its earnings. If investors expect a total return of 12.50%, what is the firm's return on equity?

- a. 27.78%
- b. 19.09%
- c. 23.33%
- d. 12.75%
- e. 41.67%

5. ABC Inc. has 100,000 shares outstanding with a total book value of \$1,338,000 and which currently sell for \$16.40 per share. It had net income of \$125,600 this past year, of which \$59,000 was paid in dividends. Based on the above, what rate of return do investors expect on the stock?

- a. 10.24%
- b. 8.75%
- c. 3.78%
- d. 6.27%
- e. 2.91%

6. What should be the price of the stock of an emerging business with the following characteristics? The first dividend (just paid) was \$2.10 per share. The discount rate is 11.60% and dividend growth rates are as follows: 38% in Year 1; 25% in Year 2; and 5% in Year 3 and thereafter.

- a. \$34.61
- b. \$44.99
- c. \$46.97
- d. \$67.31
- e. \$51.78

7. Southtown Inc. reinvests 25% of its earnings in the company. The stock currently sells for \$18.75, and the next dividend will be \$1.50 per share. The discount rate is 12 percent. What is the rate of return (ROE) on the company's reinvested funds?

- A) 10.27%
- B) 12.00%
- C) 16.00%
- D) 18.04%
- E) 21.86%

8. ACME Inc. has some 5% preferred stock outstanding. The par value of the preferred stock is \$100. How much are you willing to pay for one share of ACME preferred stock if you require an 8% rate of return?

- A) \$50.00
- B) \$62.50
- C) \$68.75
- D) \$80.00
- E) \$85.50

9. You are considering buying the common shares of Moore Oil Inc. You expect the company to pay a \$2 dividend per share in one year and you believe that you can sell the stock for \$14 at that time. If you require a return of 20% on investments of this risk level, what is the maximum you would be willing to pay today for one share?

- A) \$11.33
- B) \$12.00
- C) \$13.33
- D) \$14.39
- E) \$15.60

10. Suppose a firm is expected to increase dividends by 20% next year and by 15% in two years' time. After that dividends will increase at a rate of 5% per year indefinitely. If the last dividend paid was \$1.00 per share and the required return is 20%, what is the current price of the stock?

- A) \$6.20
- B) \$7.38
- C) \$7.94
- D) \$8.67
- E) \$9.66

11. What is the current price of a stock that is expected to pay a constant dividend of \$2 per year forever if the required return is 15%?

- A) \$2.00
- B) \$9.66
- C) \$13.33
- D) \$15.00
- E) \$30.00

12. Suppose a firm's stock is selling for \$10.50. The firm just paid a \$1.00 per share annual dividend and dividends are expected to grow at 5% per year forever. What is the dividend yield on the stock?

- A) 9.52%
- B) 10%
- C) 10.5%
- D) 12%
- E) 15%

13. Macro Ltd. paid \$1.20 in dividends per share this past year and its stock is currently priced at \$18.55 per share. It has just announced that it expects to increase its dividends by 3% each year for the foreseeable future. What is the rate of return on Macro stock?

- A) 5.86%
- B) 6.02%
- C) 7.94%
- D) 8.96%
- E) 9.66%

14. Due to an increase in competition in the retail sector, Black Inc. has few attractive opportunities. Analysts expect earnings this coming year to be \$2.10 per share and they believe Black's discount rate is equal to its return on equity, which is 9%. Based on the information above, calculate the current stock price if the plowback ratio is 40%.

- A) \$23.33
- B) \$28.25
- C) \$30.56
- D) \$38.89
- E) \$42.00

15. Solar Power's recent annual dividend was \$2.64 per share and the stock currently sells for \$51.80 per share. If the growth rate is 3% what rate of return do investors expect to earn on the stock?

- A) 3.00%
- B) 5.10%
- C) 5.25%
- D) 8.10%
- E) 8.25%

16. Loombands Inc. does not currently pay a dividend. However analysts' forecasts that in 3 years the company will pay its first annual dividend of \$0.50 and dividends will grow 5% a year thereafter. If stocks with similar risk as Loombands earn a 13% return, estimate the current share price of Loombands Inc.

- A) \$2.98
- B) \$4.03
- C) \$4.55
- D) \$5.48
- E) \$6.56

17. A stock which is expected to pay \$1.26 in annual dividends next year, sells now for \$42, and has an expected return of 8 percent. What might investors expect to pay for the stock one year from now?

- A) \$42.20
- B) \$44.10
- C) \$45.36
- D) \$46.25
- E) \$49.20

18. What constant growth rate in dividends is expected for a stock currently priced at \$24.00 if next year's dividend is forecast at \$1.30 and the appropriate discount rate is 11 percent?

- A) 5.10%
- B) 5.42%
- C) 5.58%
- D) 6.20%
- E) 7.25%

19. What would be the expected price of a stock when dividends are expected to grow at a 20 percent rate for three years, and then grow at a constant rate of 5 percent, if the stock's required return is 13 percent and the most recent dividend paid was \$4.00 per share?

- A) \$61.60
- B) \$62.87
- C) \$66.67
- D) \$76.42
- E) \$104.27

20. Blueberry Inc. is in a declining industry. Sales, earnings and dividends are all shrinking at a rate of 8% per year. If the most recent annual dividend paid was \$2.10 and the required return is 12%, what is the current value of a share?

- A) \$2.10
- B) \$9.66
- C) \$10.50
- D) \$11.25
- E) \$16.50

21. Tyndale Inc. just paid a \$2 dividend yesterday. You expect the dividend to grow steadily at a rate of 5% per year for three years, and then grow at 3%. If the discount rate of the stock is 11%, what is the price of the stock?

- A) \$29.75
- B) \$27.11
- C) \$39.66
- D) \$40.26
- E) \$29.00

22. Your favourite stock will pay a dividend at the end of this year of \$3.4. The dividend yield is 7%. What the price of the stock today?

- A) \$3.18
- B) \$3.64
- C) \$48.57
- D) \$51.97
- E) \$23.80

23. The expected EPS (earnings per share) this coming year of Rogers is \$6, of which 75% will be reinvested back into the business. The company has an ROE (return on equity) of 15% and the discount rate is 14%. What is Rogers current stock price?

- A) \$40
- B) \$163.63
- C) \$14.63
- D) \$54.54
- E) \$42.86

24. What is the expected growth rate for a stock currently priced at \$55, that just paid a dividend \$2, and has a required return of 12%.

- A) 9.07%
- B) 8.36%
- C) 15.08%
- D) 8.68%
- E) 8.07%

25. Nestle has a preferred stock with annual dividend of \$6, that will be paid into perpetuity. If the discount rate is 12%, at what price should the preferred stock sell?

- A) \$56
- B) \$50
- C) \$100
- D) \$75
- E) \$2

26. ABC Inc. reinvests 25% of its earnings back into the corporation. The stock currently sells for \$48 today, and the next dividend will be \$1.20 per share. The discount rate is 6.5%. What is the firm's return on equity (ROE)?

- A) 4%
- B) 5.5%
- C) 16%
- D) 18.5%
- E) 20%

27. Equipped with the knowledge gained in your Corporate Finance course you have started monitoring the stock of price of StarPucks. The dividends are forecasted to grow at 20% per year for two years, after which it will grow at a fixed rate of 7% forever. If the discount rate is 12% and a dividend of \$3.50 was just paid, what will be the price in 3 years when you graduate and have income to invest?

- A) \$93.74
- B) \$115.41
- C) \$107.80
- D) \$100.80
- E) \$6.05

28. LJP Financial Group expects to pay a dividend of \$1.44 per share next year which is an increase of 2.75% over the prior year. After next year, dividends are expected to grow at a constant rate of 3.87% indefinitely. Shares of LJP stock are currently trading at \$12.95 per share. What is the required rate of return on LJP stock?

- A) 11.12%
- B) 13.25%
- C) 14.68%
- D) 14.99%
- E) 15.30%

29. Titan Medical Corporation (TMC) just paid an annual dividend of \$2.25 per share. TMC has a policy of increasing the dividend by 5 percent annually. Selena would like to purchase 100 shares of TMC stock but realizes that she will not have the money to do so for another two years. If Selena requires a 17 percent rate of return, how much should she expect to pay for 100 shares when she can afford to buy TMC stock?

- A) \$1,875
- B) \$1,969
- C) \$2,067
- D) \$2,171
- E) \$2,279

30. High Tech Industries has a return on equity of 17.5 percent. High Tech plans to plow back 60 percent of all earnings into the firm. Earnings a year from today will be \$4.50 per share, and investors require a 15 percent return on High Tech stock. What is the present value of growth opportunities (PVGO)?

- A) \$10
- B) \$20
- C) \$30
- D) \$40
- E) \$60

31. Times Square Development common stock sells for \$30.75 a share at a market rate of return of 12.50 percent. The company just paid its annual dividend of \$2.00 per share. What is the rate of growth of Times Square's dividend?

- A) 5.63%
- B) 6.50%
- C) 6.87%
- D) 7.15%
- E) 7.52%

32. Richvale Entertainment manufactures DVD Players. However, as it becomes easier and cheaper for consumers to switch to the other, more modern technologies, Richvale expects sales, earnings and dividends to decline at a rate of 10% annually forever. The firm just paid a dividend of \$3.60 per share. Given a required return of 15%, Richvale stock should sell today for:

- A) \$11.75
- B) \$12.96
- C) \$14.40
- D) \$15.84
- E) \$21.67

33. Panera Enterprise has issued preferred stock with a \$2.64 annual dividend that will be paid in perpetuity. If you require a rate of return of 12 percent, what price would you be willing to pay for the stock one year from today?

- A) \$19.64
- B) \$22.00
- C) \$24.64
- D) \$26.40
- E) \$27.60

34. Suppose the Grand Bahamian Company is expected to pay a dividend next year of \$2.65 per share. Sales and profits for Grand Bahamian are projected to grow at a rate of 12% for the following two years and then at 6% per year thereafter indefinitely. Dividend growth is expected to match sales and profits growth. If the required return is 16%, what is the value today of a share of Grand Bahamian?

- A) \$22.57
- B) \$24.70
- C) \$26.91
- D) \$27.98
- E) \$29.19

35. Café Inc. common stock is expected to have extraordinary growth of 20% per year for two years, after which time the growth rate will settle into a constant 6%. If the discount rate is 15% and the most recent dividend was \$2.30, what should be the current share price?

- A) \$31.16
- B) \$32.09
- C) \$33.23
- D) \$34.40
- E) \$39.01

36. What rate of return is expected from a stock that sells for \$30 per share, pays \$1.50 annually in dividends, and is expected to sell for \$33 per share in one year?

- A) 5%
- B) 10%
- C) 12%
- D) 13%
- E) 15%

37. What constant growth rate in dividends is expected for a stock valued at \$32.00 if next year dividend is forecast at \$1.68 and the appropriate discount rate is 13%?

- A) 5.25%
- B) 7.75%
- C) 9.75%
- D) 11.5%
- E) 13.0%

38. A stock paying \$3 in annual dividends sells now for \$75 and has an expected return of 9%. What might investors expect to pay for the stock one year from now?

- A) \$78.75
- B) \$80.20
- C) \$81.75
- D) \$82.20
- E) \$84.75

39. Which of the following is true for a firm having a stock price of \$42, and an expected dividend of \$3 per share for next year, and an annual sustainable growth rate of 8%?

- A) It has a dividend payout ratio of 37.5%
- B) It has a required rate of return of 15.14% per year
- C) It has an ROE of 7.14%
- D) It has a plowback ratio of 7.14%
- E) None of the above

40. Vegas Inc. is a poorly performing company and its dividend is expected to decline in future at a rate of 7%. If the required return is 10% and the expected dividend next year is \$4.25, then what should the price of the share one year from now (P1)?

- A) \$10.58
- B) \$16.71
- C) \$23.25
- D) \$33.40
- E) \$43.92

41. Rogers Corporation pays out 80% of its earnings each year as dividends. The stock sells for \$25, and the next dividend will be \$1.50 per share. If the discount rate is 7%, what is the company's rate of return on equity?

- A) 4.5%
- B) 3.2%
- C) 5.0%
- D) 6.0%
- E) 6.25%

42. What should be the price for a common stock paying a constant annual dividend of \$2.50 per share each year if the growth rate is zero and the discount rate is 8 percent?

- A) \$33.75
- B) \$18.00
- C) \$22.50
- D) \$31.25
- E) \$42.00

43. Green Corp. just paid an annual dividend of \$1.20 per share. The company forecasts dividends to increase by 2% each year for the foreseeable future. If the current share price is \$30, what is the required rate of return on this stock?

- A) 5.94%
- B) 6.00%
- C) 6.08%
- D) 6.11 %
- E) 6.45%

44. Paul Edith Inc. paid dividend of \$1.22 per share for the year just ended. The company dividends are expected to grow at a constant rate per year forever. The company has maintained a dividend payout ratio of 40%, and the return on equity (ROE) on the retained earnings is 20%. If the company is currently selling at a price of \$50, what is the required rate of return that the shareholders need?

- A) 14.73%
- B) 14.44%
- C) 10.64%
- D) 10.44%
- E) 12%

45. ABN Company is expected to pay dividends per share of \$1.00, \$1.25, and \$1.31 in the next three years. It is expected that beginning in the 4th year, the company's dividend will grow at constant rate of 4% forever. If the required rate of return on the equity is 10%, what is the current stock price?

- A) 21.33
- B) 23.18
- C) 18.78
- D) 19.22
- E) 19.99

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