

Homework Chapter 3, 4 & 5 and Mid Term Review
FI360 (Spring I 2014, Week Four)

7. Bavarian Sausage's market capitalization of \$89,000,000 and the company does not have any preferred stock outstanding. If the company has 5,500,000 shares outstanding, what should be Bavarian Sausage's stock price?
- a. \$13.62
 - b. \$21.54
 - c. \$16.18
 - d. \$19.38
8. Static Utility Company anticipates its revenues, and consequently its common stock dividends, will remain flat forever. It currently pays an annual dividend of \$20 per year. If it pays the next dividend exactly one year from today, then what is the price of Static's common shares if the required rate of return is 12%?
- a. \$61.70
 - b. \$132.98
 - c. \$166.67
 - d. \$179.33
9. An investor bought a share of stock this morning for \$40, and plans to sell the stock one year from today. The investor believes the stock will pay a \$5 dividend during the next year, and that the stock can be sold for \$50 in one year. Given the investor's beliefs, what is the return from investing in this stock for the next year?
- a. 15.4%
 - b. 29.0%
 - c. 41.12%
 - d. 37.5%