4. Mr. Meyers wishes to know how many shares are necessary to elect 5 directors out of 14 directors up for election in the Austin Power Company. There are 150,000 shares outstanding. (Use Formula 17-1 to determine the answer.)

Company Name	Institutional Ownership (%)	Institutional Ownership in Shares
Motorola Solutions Inc.	91.35	256,242,374
Lockheed Martin Corp.	91.17	295,027,852
eBay Inc.	85.60	1,107,664,142
Panera Bread Co.	83.30	23,623,105
Kellogg Co.	79.37	284,143,160
Wal-Mart Stores Inc.	79.47	2,671,198,763
Hewlett-Packard Co.	78.85	1,550,275,883
Bristol-Myers Squibb Co.	72.39	1,195,000,588
Amazon.com Inc.	70.77	320,567,732
PepsiCo Inc.	71.59	1,107,344,418
3M Co.	70.21	485,795,895
Microsoft Corp.	70.07	5,897,651,856
Walt Disney Co.	70.71	1,268,812,986
Johnson & Johnson	69.59	1,918,676,067
El du Pont de Nemours & Co.	67.28	627,388,751
Coca-Cola Co.	64.20	2,879,468,739
International Business Machines Corp.	62.47	705,824,582
Procter & Gamble Co.	59.95	1,639,216,073
General Electric Co.	55.92	5,904,284,425
ExxonMobil Corp.	50.68	2,339,511,998

14. Todd Winningham IV has $4,800 to invest. He has been looking at Gallagher Tennis Clubs Inc. common stock. Gallagher has issued a rights offering to its common stockholders. Six rights plus $48 cash will buy one new share. Gallagher's stock is selling for $66 ex-rights.

   a. How many rights could Todd buy with his $4,800? Alternatively, how many shares of stock could he buy with the same $4,800 at $66 per share?

   b. If Todd invests his $4,800 in Gallagher rights and the price of Gallagher stock rises to $70 per share ex-rights, what would his dollar profit on the rights be? (First compute profit per right.)

   c. If Todd invests his $4,800 in Gallagher stock and the price of the stock rises to $70 per share ex-rights, what would his total dollar profit be?

   d. What would be the answer to part *b* if the price of Gallagher's stock falls to $40 per share ex-rights instead of rising to $70?

   e. What would be the answer to part *c* if the price of Gallagher's stock falls to $40 per share ex-rights?

19. Robbins Petroleum Company is four years in arrears on cumulative preferred stock dividends. There are 690,000 preferred shares outstanding, and the annual dividend is $6.50 per share. The Vice-President of Finance sees no real hope of paying the dividends in arrears. She is devising a plan to compensate the preferred stockholders for 80 percent of the dividends in arrears.

a. How much should the compensation be?

b. Robbins will compensate the preferred stockholders in the form of bonds paying 12 percent interest in a market environment in which the going rate of interest is 8 percent for similar bonds. The bonds will have a 10-year maturity. Using the bond valuation table in Chapter 16 (Table 16-2), indicate the market value of a $1,000 par value bond.

c. Based on market value, how many bonds must be issued to provide the compensation determined in part *a*? (Round to the nearest whole number.)

What is the payout ratio?

2. Ralston Gourmet Foods Inc. earned $360 million last year and retained $252 million. What is the payout ratio?

13. The Western Pipe Company has the following capital section in its balance sheet. Its stock is currently selling for $6 per share.

Common stock (50,000 shares at $2 par)	$ 100,000
Capital in excess of par	100,000
Retained earnings	250,000
	$450,000

The firm intends to first declare a 15 percent stock dividend and then pay a 25-cent cash dividend (which also causes a reduction of retained earnings). Show the capital section of the balance sheet after the first transaction and then after the second transaction.

18. Ace Products sells marked playing cards to blackjack dealers. It has not paid a dividend in many years, but is currently contemplating some kind of dividend. The capital accounts for the firm are as follows:

Common stock (2,400,000 shares at $5 par)	$12,000,000
Capital in excess of par*	5,000,000
Retained earnings	23,000,000
Net worth	$40,000,000

*The increase in capital in excess of par as a result of a stock dividend is equal to the new shares created times (Market price − Par value).

The company's stock is selling for $20 per share. The company had total earnings of $4,800,000 during the year. With 2,400,000 shares outstanding, earnings per share were $2.00. The firm has a P/E ratio of 10.

a. What adjustments would have to be made to the capital accounts for a 10 percent stock dividend? Show the new capital accounts.

b. What adjustments would be made to EPS and the stock price? (Assume the P/E ratio remains constant.)

c. How many shares would an investor end up with if he or she originally had 70 shares?

d. What is the investor's total investment worth before and after the stock dividend if the P/E ratio remains constant? (There may be a $1 to $2 difference due to rounding.)

1. *The Wall Street Journal* reported the following spot and forward rates for the Swiss franc ($/SF).

Spot	$0.8202
30-day forward	$0.8244
90-day forward	$0.8295
180-day forward	$0.8343

a. Was the Swiss franc selling at a discount or premium in the forward market?

b. What was the 30-day forward premium (or discount)?

c. What was the 90-day forward premium (or discount)?

d. Suppose you executed a 90-day forward contract to exchange 100,000 Swiss francs into U.S. dollars. How many dollars would you get 90 days hence?

e. Assume a Swiss bank entered into a 180-day forward contract with Bankers Trust to buy $100,000. How many francs will the Swiss bank deliver in six months to get the U.S. dollars?

months to get the U.S. dollars?

2. Suppose a Polish zloty is selling for \$0.3414 and a British pound is selling for 1.4973. What is the exchange rate (cross rate) of the Polish zloty to the British pound? That is, how many Polish zlotys are equal to a British pound?

6. A Peruvian investor buys 150 shares of a U.S. stock for $7,500 ($50 per share). Over the course of a year, the stock goes up by $4 per share.

   a. If there is a 10 percent gain in the value of the dollar versus the Peruvian nuevo sol, what will be the total percentage return to the Peruvian investor? First determine the new dollar value of the investment and multiply this figure by 1.10. Divide this answer by $7,500 and get a percentage value, and then subtract 100 percent to get the percentage return.

   b. Instead assume that the stock increases by $7, but that the dollar decreases by 10 percent versus the nuevo sol. What will be the total percentage return to the Peruvian investor? Use 0.90 in place of 1.10 in this case.