|  |
| --- |
| Even though most corporate bonds in the United States make coupon payments semiannually, bonds issued elsewhere often have annual coupon payments. Suppose a German company issues a bond with a par value of €1,000, 15 years to maturity, and a coupon rate of 6.5 percent paid annually. |

|  |
| --- |
| If the yield to maturity is 7.6 percent, what is the current price of the bond? **(Do not round intermediate calculations and round your final answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Current price | € |

|  |
| --- |
| Page Enterprises has bonds on the market making annual payments, with eight years to maturity, and selling for $952. At this price, the bonds yield 6.10 percent. |

|  |
| --- |
| What must the coupon rate be on the bonds? **(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Coupon rate | % |

|  |
| --- |
| Martin Software has 8.8 percent coupon bonds on the market with 19 years to maturity. The bonds make semiannual payments and currently sell for 107.2 percent of par. |

|  |
| --- |
| What is the current yield on the bonds? **(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Current yield | % |

|  |
| --- |
| What is the YTM? **(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| YTM | % |

|  |
| --- |
| What is the effective annual yield? **(Do not round intermediate calculations and round your final answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Effective annual yield | % |

|  |
| --- |
| Backwater Corp. has 10 percent coupon bonds making annual payments with a YTM of 9.4 percent. The current yield on these bonds is 9.75 percent. |

|  |
| --- |
| How many years do these bonds have left until they mature? **(Do not round intermediate calculations and round your final answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Maturity of bond | years |

|  |
| --- |
| Treasury bills are currently paying 6 percent and the inflation rate is 2.80 percent. |

|  |
| --- |
| What is the approximate real rate of interest?**(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Approximate real rate | % |

|  |
| --- |
| What is the exact real rate?**(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Exact real rate | % |

|  |
| --- |
| Feeback Corporation stock currently sells for $50 per share. The market requires a return of 8 percent on the firm’s stock. If the company maintains a constant 2 percent growth rate in dividends, what was the most recent dividend per share paid on the stock? **(Do not round intermediate calculations and round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Dividend paid per share | $ |

|  |
| --- |
| The Jackson–Timberlake Wardrobe Co. just paid a dividend of $1.55 per share on its stock. The dividends are expected to grow at a constant rate of 6 percent per year indefinitely. Investors require a return of 14 percent on the company's stock. |

|  |
| --- |
| What is the current stock price? **(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Current price | $ |

|  |
| --- |
| What will the stock price be in three years? **(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Stock price | $ |

|  |
| --- |
| What will the stock price be in 7 years? **(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Stock price | $ |

|  |
| --- |
| Apocalyptica Corp. pays a constant $9.05 dividend on its stock. The company will maintain this dividend for the next 9 years and will then cease paying dividends forever. If the required return on this stock is 10 percent, what is the current share price? **(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Current share price | $ |

|  |
| --- |
| Sully Corp. currently has an EPS of $2.30, and the benchmark PE for the company is 22. Earnings are expected to grow at 5 percent per year. |

|  |  |
| --- | --- |
| **a.** | What is your estimate of the current stock price? **(Round your answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Current stock price | $ |

|  |  |
| --- | --- |
| **b.** | What is the target stock price in one year? **(Do not round intermediate calculations and round your final answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Target stock price | $ |

|  |  |
| --- | --- |
| **c.** | Assuming the company pays no dividends, what is the implied return on the company’s stock over the next year? **(Do not round intermediate calculations and round your final answer to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
| Implied return of stock | % |

|  |
| --- |
| Red, Inc., Yellow Corp., and Blue Company each will pay a dividend of $2.90 next year. The growth rate in dividends for all three companies is 4 percent. The required return for each company’s stock is 6 percent, 9 percent, and 12 percent, respectively. What is the stock price for each company? **(Round your answers to 2 decimal places. (e.g., 32.16))** |

|  |  |
| --- | --- |
|  | Stock price |
| Red, Inc. | $ |
| Yellow Corp. | $ |
| Blue Company | $ |
|  | |