Marcus Corporation has a capital budget of $5 million and wants to maintain a capital structure of 40% debt and 60% equity. The company expects net income of 4 million. What is the expected dividend payout ratio if the company follows a residual dividend policy?

50%

40%

20%

25%

none of the above

MLC, Inc. stock sold for $75 per share prior to a 4 for 1 stock split. What is the expected post-split stock price, everything else held constant?

$50.00

$37.50

$18.75

$71.00

none of the above

A company’s dividend policy decision should not be influenced by which of the following?

Constraints imposed by the firm's bond indenture.

The fact that much of the firm's equipment has been leased rather than purchased

The firm's ability to accelerate investment projects.

The firm's ability to delay investment projects

none of the above

A company's stock sells for $2.00 per share. The company wants to use a reverse split to get the price up to $22 per share. How many of the old shares must be given up for one new share to get to the $22 price? Assume this transaction has no effect on market value.

22.0

20.5

10.0

12.0

none of the above

Which of the following would be most likely to result in an increase in a firm's dividend payout ratio?

Its access to the capital markets decreases.

It has more high-return investment opportunities

Its accounts receivable increase due to a change in its credit policy.

It has fewer high-return investment opportunities.

none of the above

A company wants to raise $10 million in equity at an expected offering price of $20 per share. Its investment banker will receive $1.50 for each share sold and incur expenses of $1 million. How many shares must be sold for the company to receive $10 million. Round to the nearest whole number.

450,000

594,595

500,000

540,541

none of the above

A company is planning an IPO of 10 million shares. Each share is expected to sell at $10 per share. The underwriters will charge an 8% spread and incur expenses of $500,000. How much will the company receive if all shares sell at the expected price?

$91,450,000

$92,000,000

$100,000,000

$99,500,000

none of the above

A company sold 10 million shares in an IPO at a price of $10 per share. The underwriters charged an 8% fee and incurred expenses of $500,000. Price per share at the end of the first day was $12.50. How much money was left on the table?

$15.8 million

$33 million

$17 million

$25 million

none of the above

Which of the following is a good reason for a company to go public?

The company has excess capital

The company has a low debt ratio

The company's founders want to diversify

Costs of reporting will be low

none of the above

A large company with publicly traded stock plans to issue additional shares. This is called:

a shelf registration

A private placement

a seasoned equity offering

an employee stock option plan

none of the above