Book: Corporate Financial Management

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Chapter 5:

A5. (Yield to maturity) Marstel Industries has a 9.2% bond maturing in 15 years. What is the yield to maturity if the current market price of the bond is a. $1,120 b. $1000 c. $785?

B13. (Expected dividend growth rate) Suppose MTA is expected to pay $4.00 in cash dividends next year are the rate of $1.00 per quarter and that the required return on MTA Stock is 14%. If MTA is currently selling for $37.50 per share, what is the expected growth rate in dividends for MTA based on the constant growth model?

Chapter 6:

A3. (Expected return and standard deviation)An investment has four possible returns, each with its won probability given here.

1. What is the expected return
2. What are the variance and the standard deviation of returns?

Return -12% -2% 8% 30%

Probability 0.20 0.25 0.35 0.20

B12. (Portfolio return and standard deviation) Seventy percent of a portfolio is invested in a stock that has a 15% expected return and a 15% standard deviation. The other 30% is invested in a stock that has a 21% expected return and a 25% standard deviation. The correlation between the two stocks returns is 0.45. What are the expected return and standard deviation of the portfolio?

Chapter 7:

B9. (CAPM) Stock A has a beta of 2.0 and a required return of 15%. The market return is 10%. What will be the required return of stock B which has a beta of 1.4?