The next dividend payment by Carroll, Inc., will be $4.45 per share. The dividends are anticipated to maintain a 5 percent growth rate, forever. If the stock currently sells for $43 per share, the required return of the stock is   percent

The next dividend payment by Carroll, Inc., will be $2.45 per share. The dividends are anticipated to maintain a 7 percent growth rate, forever. The stock currently sells for $64 per share. The dividend yield is   percent, and the expected capital gains yield is   percent

Diamond Corporation will pay a $3.65 per share dividend next year. The company pledges to increase its dividend by 7.8 percent per year, indefinitely. If you require a 17.3 percent return on your investment, you will pay $   for the company's stock today.

Pearl, Inc., is expected to maintain a constant 3.6 percent growth rate in its dividends, indefinitely. If the company has a dividend yield of 3.7 percent, the required return on the company's stock is   percent

Gesto, Inc., has an issue of preferred stock outstanding that pays a $6.75 dividend every year, in perpetuity. If this issue currently sells for $97 per share, the required return is   percent

The stock price of Retro Co. is $69. Investors require a 13 percent rate of return on similar stocks. If the company plans to pay a dividend of $4.50 next year, the expected growth rate of the company's stock price is   percent

|  |
| --- |
| Barnard Corp. will pay a dividend of $3 next year. The company has stated that it will maintain a constant growth rate of 5 percent a year forever. If you want a 15 percent rate of return, the value of the stock to you today is $  . If you want a 10 percent rate of return, the value of the stock to you today is $  . **(Round your answers to 2 decimal places. Omit the "$" sign in your response.)** |
| All else held constant, an increase in the required return means that the stock will sell for a   price. |

Antiques 'R' Us is a mature manufacturing firm. The company just paid a $12 dividend, but management expects to reduce the payout by 7 percent per year, indefinitely. If you require a 16 percent return on this stock, you will pay $   for a share today.

Diamond Corporation will pay a $4.12 per share dividend next year. The company pledges to increase its dividend by 7.9 percent per year, indefinitely. If you require a 13.9 percent return on your investment, you will pay $   for the company's stock today

Antiques 'R' Us is a mature manufacturing firm. The company just paid a $9 dividend, but management expects to reduce the payout by 5 percent per year, indefinitely. If you require an 11 percent return on this stock, you will pay $   for a share today.

|  |
| --- |
| **Stock Quotes** |
| Assume the following stock quotes appeared in a financial web site (the 52-week Hi and Lo are the highest and lowest stock prices over the previous 52 weeks). |
|  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 52-Week Price | |  |  |  |  |  |
| Hi | Lo | Stock (Div) | Div  Yld% | PE Ratio | Close Price | Net  Chg |
| 37.51 | 28.84 | MSMGrp 1.42 | 3.90 | 16 | 36.64 | 0.58 |
| 32.12 | 26.09 | PhoenixEngy 1.28 | 4.00 | 17 | 31.61 | 0.39 |
| 94.05 | 72.73 | National Business Machines 1.20 | 1.30 | 16 | 91.52 | 0.17 |
| 82.49 | 52.64 | TR Dime Stores .72 | 0.90 | 15 | 79.60 | 1.53 |
| 33.35 | 26.22 | Sam's Restaurant 0.32 | 1.10 | 22 | ?? | 0.38 |
|  |  |  |  |  |  |  |

|  |
| --- |
| Using the dividend yield, the closing price for Sam's Restaurant on this day was $  . The actual closing price for Sam's Restaurant was $28.59. A recent survey projects a 1.5 percent dividend growth rate for Sam's Restaurant. Using the dividend discount model and the actual stock price, the required return for Sam's Restaurant stock is   percent. |

|  |
| --- |
| Barnard Corp. will pay a dividend of $3.25 next year. The company has stated that it will maintain a constant growth rate of 4 percent a year forever. If you want a 20 percent rate of return, the value of the stock to you today is $  . If you want a 15 percent rate of return, the value of the stock to you today is $ |
| All else held constant, an increase in the required return means that the stock will sell for a   price. |

Suppose you know that a company's stock currently sells for $60 per share and the required return on the stock is 11 percent. You also know that the total return on the stock is evenly divided between a capital gains yield and a dividend yield. If it's the company's policy to always maintain a constant growth rate in its dividends, the current dividend is $   per share