

**9-1 DPS CALCULATION** Warr Corporation just paid a dividend of \$1.50 a share (that is,  $D_0 = \$1.50$ ). The dividend is expected to grow 7% a year for the next 3 years and then at 5% a year thereafter. What is the expected dividend per share for each of the next 5 years?

**9-3 CONSTANT GROWTH VALUATION** Harrison Clothiers' stock currently sells for \$20.00 a share. It just paid a dividend of \$1.00 a share (that is,  $D_0 = \$1.00$ ). The dividend is expected to grow at a constant rate of 6% a year. What stock price is expected 1 year from now? What is the required rate of return?

**9-9 PREFERRED STOCK RETURNS** Bruner Aeronautics has perpetual preferred stock outstanding with a par value of \$100. The stock pays a quarterly dividend of \$2, and its current price is \$80.

- What is its nominal annual rate of return?
- What is its effective annual rate of return?