Business has been good for Keystone Control Systems, as indicated by the four-year growth in earnings per share. The earnings have grown from $1.00 to $1.63.

a. Determine the compound annual rate of growth in earnings (n = 4)

b. Based on the growth rate determined in part a, project earnings for next year.

c. Assume the dividend payout is 40%. Compute D with “tiny one”

Round to two places to the right of the decimal point

d. The current price of the stock is $50. Using growth rate (g) from part

a and (D1) from part c, compute K “with tiny e”

e. If the flotation cost is $3.75, compute the cost of new common stock (K “with tiny n”)