Finance Assignment

1. Security Brokers Inc. specializes in underwriting new issues by small firms. On a recent offering of Beedles Inc., the terms were as follows:

Price to Public $5 per share

Number of shares 3 million

Proceeds to Beedles $14,000,000

The out-of-pocket expenses incurred by Security Brokers in the design and distribution of the issue were $300,000. What profit or loss would security Brokers incur if the issue were sold to the publics at the following average price?

1. $5 per share
2. $6 per share
3. $4 per share
4. The Beranek Company, whose stock price is now $25, needs to raise $20 million in common stock. Underwriters have informed the firm’s management that they must price the new issue to the public at $22 per share because of signaling effects. The underwriters’ compensation will be 5% of the issue price, so Beranek will net $20.90 per share. The firm will also incur expenses in the amount of $150,000. How many shares must the firm sell to net $20 million after underwriting and flotation expenses?