2.                  If you invest $10,000 today at 3 percent *compounded monthly*, how much will you have after 10 years?

3.                  How much would you have to invest today in order to receive $10,000 in 5 years at an assumed 5% APR and *quarterly compounding*?

4.                  What is the present value of $10,000 to be received *for each* of the next 5 years at an assumed 4% APR.

5.                  What are the *monthly payments* required in order to pay off a $12,000 auto loan at an assumed 5% APR over a 3 year period?

6.                  A corporation issued a $1,000 par value bond paying 3% interest with 15 years to maturity. Assume the current yield to maturity on such bonds is 3 %. What is the price of the bond?

7.                  A corporation will pay a $1.00 dividend (*D1*) in the next 12 months on a share of common stock. The required rate of return is 5 % and the constant growth rate is 4 %.Compute the theoretical stock price Po.

8.                  The preferred stock of a corporation pays an annual dividend of $1.00. It has a required rate of return of 4 %. Compute the price of the preferred stock.

9.                  A $1,000 par value bond has 10 years to maturity. The bond pays $40 a year in interest and is selling for $950. Given a 30% tax bracket, what is the *after* *tax* cost of this debt?

10.              A share of preferred stock is selling for $20 with an estimated floatation cost of $1 per share. It is anticipated that the preferred stock will pay $1.50 per share in dividends. Compute the cost of the preferred stock to the issuing corporation.

11.              A corporation expects to pay dividends (*D1*) of $1.75 per share *at the end* of the current year and the current price of its common stock is $30 per share. The expected growth rate is 3.5% and floatation costs of $1.00 per share are anticipated. Making use of the constant growth model, compute the cost of this new common equity.

12.      Making use of the Capital Asset Pricing Model, compute the cost of

           Common equity assuming a risk free rate of 3.5%, a market rate of 5% and

          An assumed beta of 1.3.

     13.       Assume the following capital structure:

Debt                             30%

Preferred stock 10%

Common equity            60 %

The following facts are provided:

Bond yield to maturity   5%

Corporate tax rate                   35%

Dividend, Pre. stock                $1.75

Price, Pre. stock                       $25.00

Floatation, Pre. stock                $1.00

Dividend (Do), Com. Stock      $1.00

Price, Com. Stock*\**                  $15.00

Growth rate, Com. Stock             2%

\* *You are to assume this to be issued common stock with a zero floatation cost.*

Compute the weighted average cost of capital

    14.   Please assume the following cash flow data:

   Year  Cash Flow

* 1. - $120,000
  2. 48,000
  3. 72,000
  4. 104,000

*Required: Please calculate each of the following*:

a.       The Payback

b.      The Internal Rate of Return

c.       The Net Present Value at an assumed capital cost of 12 %.

d.      The Modified Internal Rate of Return.