



FIN300 – Managerial Finance

Summer 2020

Assignment 4 – 15%

Section:

By

Student Name	ID

Instructions

The following assignment is an individual work. Please complete and submit it on Moodle before September 20, 23:59.

Problem 1. (20 points)

Define a preferred stock and compare it to an ordinary share. Give a real life example.

Problem 2. (20 points)

Firm A is expected to pay a dividend of \$2.00 at the end of the year. The required rate of return is 10%. Other things held constant, what would the stock's price be if the growth rate was 5%? What if g was 0%?

Problem 3. (20 points)

XYZ Company's current stock price is \$30 per share, its last paid dividend was \$2 per share, and its required rate of return is 12%. If dividends are expected to grow at a constant rate, g , in the future, what is XYZ Company's expected stock price 4 years from now?

Problem 4. (20 points)

TB Company is expected to pay a \$1.75 per share dividend at the end of the year. The dividend is expected to grow at a constant rate of 5% a year. The required rate of return on the stock is 12%. What is the stock's current value per share?

Problem 5. (20 points)

HCB's stock currently sells for \$40 a share. It just paid a dividend of \$2.0 a share. The dividend is expected to grow at a constant rate of 5% a year. What stock price is expected 1 year from now? What is the required rate of return?