**Topic 7 Knowledge Check**

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| Points: | 27 |

Started on Jun 21 at 22:14

Your Submission:

Top of Form

1. Bookmark question for later

What is the value of a preferred stock where the dividend rate is 15 percent on a $100 par value? The appropriate discount rate is 12 percent.

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| * + $130.25   + $127.75   + $115.25   + $125.00   + $102.95 |
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1. Bookmark question for later

You are looking to purchase Ordway common stock at $55 per share, hold it one year, and sell after a dividend of $3 is paid.  What would the stock price need to be in order to satisfy your required rate of return of 15 percent?

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| * + $55.08   + $72.15   + $60.25   + $65.50   + $58.75 |
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1. Bookmark question for later

Some types of equity give the owner the right to vote on company matters.

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| TrueFalse |
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1. Bookmark question for later

If we do an analysis and determine a company is really good, this means it is also a good investment.

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| TrueFalse |
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1. Bookmark question for later

Preferred stock is reserved for established companies like utilities and is not used for new start-up ventures.

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| TrueFalse |
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1. Bookmark question for later

Calculate the value of a preferred stock that pays a dividend of $5 per share and your required rate of return is 14 percent.

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| * + $32.50   + $30.90   + $35.71   + $38.22   + $41.00 |
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1. Bookmark question for later

The control issues involved in running a firm are known as:

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| * + Corporate climate   + Corporate control   + Corporate structure   + Corporate logistics   + Corporate governance |
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1. Bookmark question for later

ABC’s common stock currently sells for $36.68 per share.  The company’s executives anticipate a growth rate of 6 percent and a future dividend of $1.75.  What is your expected rate of return?

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| * + 10.25%   + 10.56%   + 9.33%   + 10.77%   + 9.45% |
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1. Bookmark question for later

You are considering purchasing Quarry Diamonds stock.  They have promised to pay dividends of $2.50, $3.00, and $3.50 over the next three years.  Dividends will grow at 5% after that indefinitely.  How much are you willing to pay for the stock if your required rate of return is 11%?

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| * + $49.32   + $37.29   + $47.39   + $52.03   + $42.98 |
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1. Bookmark question for later

Jennie purchased $10,000 worth of Techno Corp’s stock at $50/share.  She held this stock for one year.  After receiving a dividend of $2.00/share, she sold it for $52.50/share.  What is her rate of return?

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| * + 9.2%   + 10%   + 9%   + 9.8%   + 9.6% |
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1. Bookmark question for later

Unlike bonds which are fixed-return securities, stocks are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ securities.

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| * + Set return   + Pre-determined return   + Stochastic return   + Variable return   + None of these choices |
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1. Bookmark question for later

Which of the following is a typical characteristic of preferred stock?

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| * + Dividends in arrears   + Cumulative dividends   + A higher payoff claim in case of bankruptcy   + All of these choices |
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1. Bookmark question for later

Like debt, stock has a maturity or expiration date.

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| TrueFalse |
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1. Bookmark question for later

Preferred stock is often called a \_\_\_\_\_\_\_ security because it has some characteristics of debt and some of equity.

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| * + Jumbled   + Checkered   + Hybrid   + Balanced   + Mixed |
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1. Bookmark question for later

A stock sells for $87 one year from now, giving a total return of 8%. What is the dividend if the stock was originally purchased for $82?

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| * + 1.56   + 5.00   + 8.06   + 3.12 |
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1. Bookmark question for later

What does a stock have to sell for one year in the future if it currently sells for $75, has a planned dividend of $1.87 a share, and has an expected return of 14%?

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| * + 85.42   + 71.00   + 83.63   + 76.87 |
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1. Bookmark question for later

What would a dividend have to be if the investor buys a stock for $110, expects to sell the stock in a year for $120, and expects an annual return of 13%?

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| * + 4.30   + 3.30   + 10.00   + 3.40 |
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1. Bookmark question for later

What would an investor be willing to pay for a stock today if the value in a year would be $55 with a dividend of $2.24 per share, and the investor wants to make 9% on the investment?

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| * + 52.51   + 53.10   + 52.76   + 57.24 |
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1. Bookmark question for later

What is the rate of return for a stock purchased for $89, sold in a year for $100, paying a dividend during that time of $2.75?

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| * + 14.25%   + 11.00%   + 15.45%   + 13.75% |
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1. Bookmark question for later

A company just paid a dividend of $2.30 per share to its shareholders. It estimates that future growth will be at 2%. What is the value of the stock if you are looking for an 8% return on your investment?

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| * + 28.75   + 38.33   + 41.67   + 39.10 |
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1. Bookmark question for later

If you are looking for a return of at least 10%, what would you invest in a company given that it just paid a dividend of $1.80 and estimates a growth rate of 3%?

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| * + 26.49   + 25.49   + 25.71   + 28.28 |
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1. Bookmark question for later

You are interested in buying a preferred stock and want to know what the rate of return is. The stock is selling for $85 and pays a dividend today of $2.25. What is the rate of return?

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| * + .2250   + .0265   + .2650   + .3176 |
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1. Bookmark question for later

The company expected to pay a dividend of $13.85 at the end of the year. Management has estimated growth at 2.75%, and the stock is currently selling for $290. What is the expected rate of the return for this investment?

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| * + .0753   + .0411   + .0408   + .0375 |
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1. Bookmark question for later

One of your friends is recommending a stock if it sells for more than $165.00 per share. The growth rate is 4% and the latest dividend was $6. You are expecting an 11% return. Why should you buy or not buy the stock?

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| * + Do not buy—the return is higher than growth.   + Do not buy—the calculated price is too low.   + Buy—the dividend is higher than the return.   + Buy—the calculated price is higher. |
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1. Bookmark question for later

An investor wishes to know what the value of a common stock is if it pays a dividend of $6 today. The company's growth rate is 4.5% and the investor expects the stock to earn 7%. What is the value of the common stock?

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| * + 179.14   + 240.00   + 85.71   + 250.80 |
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1. Bookmark question for later

If a common stock is worth $75 and the growth rate is 5% with a dividend expected to pay $2 in a year's time, what is the expected rate of return?

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| * + .0767   + .0267   + .0750   + .0550 |
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1. Bookmark question for later

An investor wishes to know the value of preferred stock when the dividend is $3 per share and the expected rate of return is 6.5%.

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| * + 56.15   + 46.15   + 72.63   + 191.45 |
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Bottom of Form