


FIN 6060: Financial Decision Making
Module 2 - Stock and Bond Valuation Worksheet

Complete this worksheet using the directions within to guide you. Submit your completed worksheet in the "Assignment and Grades" tab in your course menu. When you have submitted this assignment for grading, please return to Module 2 for a module wrap-up.

Stock and Bond Valuation					
Directions	Tesla	General Motors	Apple	Google	Amazon
Step 1. Examine the annual reports for the provided companies.	http://www.annualreports.com/Company/tesla-motors	http://www.annualreports.com/Company/general-motors	http://www.annualreports.com/Company/apple-inc	http://www.annualreports.com/Company/google-inc	http://www.annualreports.com/Company/amazoncom-inc
Step 2. Provide information the outstanding bonds outstanding at each company.	Principal Amount of Bond <u>Answer:</u> \$1,800Million	Principal Amount of Bond <u>Answer:</u> \$ 500Million	Principal Amount of Bond <u>Answer:</u> \$ 1,750 Millions	Principal Amount of Bond <u>Answer:</u> \$1,000 Millions	Principal Amount of Bond <u>Answer:</u> \$ 1,250 Millions
	Maturity Date <u>Answer:</u> 8-15-2025	Maturity Date <u>Answer:</u> 1-17-2029	Maturity Date <u>Answer:</u> 11-9-2029	Maturity Date <u>Answer:</u> 25-2-2024	Maturity Date <u>Answer:</u> 5-12-2034
	Coupon rate of interest <u>Answer:</u> 5.30%	Coupon rate of interest <u>Answer:</u> 5.65%	Coupon rate of interest <u>Answer:</u> 2.20%	Coupon rate of interest <u>Answer:</u> 3.38%	Coupon rate of interest <u>Answer:</u> 4.80%
	Time period for each interest payment <u>Answer:</u> Bi-annual	Time period for each interest payment <u>Answer:</u> Bi-annual	Time period for each interest payment <u>Answer:</u> Bi-annual	Time period for each interest payment <u>Answer:</u> Bi-annual	Time period for each interest payment <u>Answer:</u> Bi-annual
	Price of the bond: (Calculate using the most current prime interest rate .) <u>Answer:</u> \$ 1,469,336,178.54	Price of the bond: (Calculate using the most current prime interest rate .) <u>Answer:</u> \$ 311,374,871.25	Price of the bond: (Calculate using the most current prime interest rate .) <u>Answer:</u> \$ 1,089,812,048.42	Price of the bond: (Calculate using the most current prime interest rate .) <u>Answer:</u> \$ 873,438,728.33	Price of the bond: (Calculate using the most current prime interest rate .) <u>Answer:</u> \$ 555,014,949.43

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Step 3. Indicate if the bonds are selling at a premium or discount.	Premium or Discount? <u>Answer:</u> Premium	Premium or Discount? <u>Answer:</u> Premium	Premium or Discount? <u>Answer:</u> Premium	Premium or Discount? <u>Answer:</u> Premium	Premium or Discount? <u>Answer:</u> Premium
Step 4. Indicate factors (other than the interest rates and the time periods) to explain the differences in the prices of the bonds.	Additional Factors 1. Inflation Rate 2. Principal Value 3. Discount Rate 	Additional Factors 1. Coupon Rate 2. Principal Value 3. Credit Rating	Additional Factors 1. Inflation Rate 2. Coupon Rate 3. Principal Value	Additional Factors 1. Inflation Rate 2. Discount Rate 3. Principal Value	Additional Factors 1. Inflation Rate 2. Coupon Rate 3. Principal Value
Step 5. Examine the most recent dividend paid by General Motors and respond to the provided prompts.	<p>Assume the required rate of return is 2% and the growth rate is 1%. Calculate the price of the stock using the dividend discount model. <u>Answer:</u> The formula for calculating the present value of future dividends is given by dividing the dividends per share by the difference between the discount rate and the dividend growth rate. The application of the Dividend Discount Model (DDM) is being used.</p> <p>For General Motors, the dividend per share is \$0.38. The discount rate is 2%. The growth rate is 1%. The present value of future dividends may be calculated using the formula: $PV = \\$0.38 / (0.02 - 0.01)$. The present value of future dividends may be calculated by dividing \$0.38 by 0.01. The present value of future dividends is calculated to be \$38.</p> <p>Use the Internet to search for the current price of GM stock. Is it the same as your calculation? <u>Yes or No?:</u> No, the current value of GM's stock is \$33.95. According to my calculation, the prevailing market value of GM's stocks is \$38.79.</p> <p>If your calculation is not the same, explain why there is a difference. <u>Explanation:</u> The difference between the current market price of GM's stock and your calculated prevailing market value of \$38.79 could be attributed to several factors. Here are some potential reasons for the disparity:</p> <ol style="list-style-type: none"> Market Fluctuations: Stock prices can fluctuate rapidly throughout the trading day due to various factors such as supply and demand, economic news, investor sentiment, and external events. The \$33.95 price 				

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you mentioned might reflect the most recent market trading activity, while your calculated value of \$38.79 could be based on different assumptions or data.

2. **Methodology:** The method you used to calculate the prevailing market value might differ from the methods used by other investors or financial analysts. Different valuation methods can yield different results.
3. **Data Accuracy:** Ensure that the data you used for your calculation is accurate and up-to-date. Stock prices can change frequently, and if you're using outdated data, it may lead to discrepancies.
4. **Market Sentiment:** Market prices are influenced by investor sentiment, which can be irrational at times. Factors such as news, rumors, or market speculation can lead to temporary deviations from a stock's intrinsic value.
5. **Liquidity:** The liquidity of a stock can affect its market price. If GM's stock has low trading volume or limited liquidity, it may experience larger price swings.
6. **Dividend Payments:** If GM pays dividends, the difference between the calculated value and the market price could also be influenced by the timing and size of dividend payments.
7. **Market Efficiency:** Stock markets are generally efficient, meaning that prices tend to reflect all available information. However, short-term discrepancies can occur due to market inefficiencies or behavioral biases.

References

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Www.google.com. Retrieved September 17, 2023, from <https://www.google.com/finance/quote/GM:NYSE>

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