Questions under stock exchange market

1) How have stock exchanges evolved from their origins to the modern-day electronic trading platforms? Discuss the key milestones and technological advancements that have shaped the stock market.

2) Analyze the role of stock exchanges in promoting economic growth and development. How do they facilitate capital formation, innovation, and economic stability ?.

3) Examine the causes and consequences of major stock market crashes, such as the Great Depression of 1929, the dot-com bubble burst, and the 2008 financial crisis. What lessons can be learned from these events ?.

4) Explore how stock exchanges influence corporate governance practices. What mechanisms are in place to ensure transparency, accountability, and protection of minority shareholders ?.

5) Discuss the role of institutional investors, such as mutual funds, pension funds, and hedge funds, in stock markets. How do their investment strategies and decisions influence market behavior ?.

6) Examine the ethical implications of insider trading in stock markets. What measures can be implemented to detect and prevent insider trading, and what are the consequences for those involved ?.

7) Choose three major stock market indices (e.g., S&P 500, FTSE 100, Nikkei 225). Research and compare their composition, methodology, and significance in measuring market performance.

8) Identify and explain common behavioral biases that affect investors' decisions (e.g., overconfidence, herd behavior, loss aversion). Provide real-world examples of how these biases can impact stock market outcomes.

9) Outline the steps involved in taking a company public through an initial public offering (IPO). Discuss the advantages and disadvantages of going public.

10) Choose a recent news event (e.g., an earnings announcement, a merger, a regulatory change) and analyze its impact on the stock prices of affected companies. Use stock price charts to illustrate your analysis.

Personal Financial Planning

Multiple Choice Questions.

Q .no	Questions	Answer
1	1. Investment is the_____ A. net additions made to the nation's capital stocks B. persons commitment to buy a flat or house C. employment of funds on assets to earn returns D. employment of funds on goods and services that are used in production process	C
2	2. Speculator is a person_____ A. who evaluates the performance of the company B. who uses his own funds only C. who is willing to take high risk for high returns D. who considers here says and market behaviours	C
3		B
4	4. Commercial papers are_____ A. unsecured promissory notes B. secured promissory notes C. sold at a premium D. Issued for a period of 1 to 2 years	A

5	5. Registrar to the issue _____
	    A. helps in the appointment of lead managers
	    B. drafts the prospectus
	    C. recommends the basis of allotment
	    D. directs the various agencies involved in the issue
		C

6	6. The underwriter has to take up _____
	    A. the fixed portions of the issue capital
	    B. the agreed portion of the unsubscribed part
	    C. the agreed portion or can refuse if
	    D. the unfixed portions of the issue capital
		B

7	7. An example of a derivative security is __ A. a
	common share of General Motors
	    B. a call option on Mobil stock.
	    C. a commodity futures contract
	    D. B and C
		D

8	8. Which of the following investment areas is heavily tied
	to work using mathematical and statistical models? A.
	Security analysis.
	    B. Portfolio management.
	    C. Institutional investing.
	    D. Retirement Planning
		A

9	9. Most investors are risk averse which means _____.
	    A. They will assume more risk only if they are compensated by
	        higher expected return.
	    B. They will always invest in the investment with the lowest
	        possible risk.
	    C. They will always invest in the investment with the lowest
	        possible risk.
	    D. They avoid the stock market due to the high degree of risk.
		C

10	10. Which of the following would be considered a risk-free
	investment? A. Gold.
	    B. Equity in a house.
	    C. High-grade corporate bonds.
	    D. Treasury bills.
		A

11		D

12	12. Investment decision making traditionally consists of two steps ___ A. Investment banking and security analysis. B. Buying and selling. C. Risk and expected return. D. Security analysis and portfolio management.	D
13	13. The rise of the Internet has_____. A. Greatly increased the cost of security trading. B. Significantly democratized the flow of investment information. C. Led to fewer number of discount brokers. D. Led to large amounts of security fraud.	A
14	14. Savings accounts are A. but are not _____. Negotiable; liquid. B. Marketable; liquid. C. Liquid; personal. D. Liquid; marketable.	C

15	15. Treasury bills are traded in the_. A. Money market. B. Capital market. C. Government market. D. Regulated market.	A
16	16. Which of the following would not be considered as capi market security? A. A corporate bond. B. A common stock. C. A 6-month Treasury bill. D. A mutual fund share	C
17	17. The coupon rate is another name for the A. Market interest rate. B. Current yield. C. Stated interest rate. D. Yield to maturity	A

18	18. Dividends are paid _____ . A. Monthly. B. Quarterly. C. Semi-annually. D. Yearly.	D
19	19. If an investor states that Intel is overvalued at 65 times, he is referring to _____ A. Earnings per share. B. Dividend yield. C. Book value. D. P/E Ratio	B
20	20. If a preferred stock issue is cumulative, this means _____A. Dividends are paid at the end of the year. B. Dividends is legally binding on the corporation. C. Unpaid dividends will be paid in the future. D. Unpaid dividends are never	C
21	21. The most popular type of investment company is a _____ . A. Unit investment trust. B. Mutual fund. C. Closed-end investment company. D. Real estate investment trust	A

22	22. An unmanaged fixed income security portfolio handled by an independent trustee is known as a _. A. Junk bond fund. B. Closed-end investment company. C. Unit investment trust. D. Hedge fund	D
23	23. A major difference between a closed-end investment company and an open-end investment company is that_. A. Closed-end investment companies are generally much riskier. B. Their security portfolios are substantially different. C. Closed-end investment companies are passive investments and open-ends are not. D. Closed-end companies have a more fixed capitalization	B
24	24. Which of the following generally traded on stock exchanges? A. Unit investment trusts B. Closed-end investment companies C. Open-end investment companies D. All trade on stock exchanges	D
25		D
26	26. A group of mutual funds with a common management are known as A. Fund syndicates. B. Fund conglomerates. C. Fund families. D. Fund complexes	C
27	27. If NAV> market price of a fund, then the fund_. A. Is selling at a discount. B. Is selling at a premium. C. Is an index fund. D. Is an exchange traded fund	B
28	28. Mutual funds may be affiliated with an under writer. This means A. The underwriter has an exclusive right to distribute shares. B. The underwriter selects the securities in the portfolio.	A

	C. There is no risk to the issuer of the mutual fund. D. There is no risk to the investor of the mutual fund.	
29	29. In an underwriting arrangement, the risk is assumed by the ____ A. Issuer of the security. B. Investment bankers. C. Commercial bankers. D. Institutional Investors	A
30	30. The____is a window through which the investor can see the company. A. Syndicate offer. B. IPO. C. Prospectus. D. Shelf rule.	C
31	31. Investment bankers are compensated by _____ . A. The underwriting spread. B. Commissions paid by the buyers of the security. C. Commission paid by the sellers of the security. D. Guaranteed investment	D
32		A
33	33. Which exchange member is assigned to a specific trading post? A. Commission broker. B. Floor trader. C. Specialist. D. Dealer.	C
34	34. A computerized trading network that matches buy and sell orders electronically entered by customers is a . A. National markets system. B. Electronic communications networks. C. Internet investment service. D. Global investment network	B
35	35. If an investor is attempting to buy a stock that is very volatile, it would be best to use _____A. Market order. B. Limit order. C. Stop-loss order.	B

	D. Contingency order.	
36	36. Which of the following has helped to eliminate the use of stock certificates by placing stock transactions on computers? A. Demat account. B. Securities Exchange Commission. C. Depository Trust Company. D. Federal Depository Insurance Corporation	A
37	37. All new issues being offered for public sale are registered with __ A. SEBI. B. New issue market. C. Maloney act of 1936. D. Securities investor protection act of1970.	B
38	38. Total return is equal to_. A. Capital gain + price change. B. Yield + income. C. Capital gain - loss. D. Yield + price change.	A
39		C
40	40. Investors should be willing to invest in riskier investments only __A. If the term is short. B. If there are no safe alternatives except for holding cash. C. If the expected return is adequate for the risk level. D. If they are true speculators.	D
41	41. If interest rates are expected to rise, you would expect _____ A. Bond prices to fall more than stock prices. B.Bond prices to rise more than stock prices. C.Stock prices to fall more than bond prices. D. Stock prices to rise and bond prices to fall.	A
42	42. Financial risk is most associated with _____ . A. The use of equity financing by corporations. B. The use of debt financing by corporations. C. Equity investments held by corporations. D. Debt investments held by corporations.	B

43	43. Political stability is the major factor concerning _____
	  A. Exchange risk.
	  B. Systematic risk.
	  C. Non-systematic risk. D. Country risk.
		D

44	44. Liquidity risk_____ .
	  A. Is the risk that investment bankers normally face?
	  B. Is lower for small OTCEI stocks than for large NSE stocks.
	  C. Is the risk associated with secondary market transactions?
	  D. Increases whenever interest rates increase.
		D

45	45. Which of the following is not related to overall market variability?
	  A. Financial risk.
	  B. Interest rate risk.
	  C. Purchasing power risk.
	  D. Market risk.
		A

46		C

47	47. If interest rates rose, you would expect _____ to also rise.
	  A. Business risk.
	  B. Financial risk.
	  C. Liquidity risk. D. Inflation risk.
		C

48	48. Total return as defined in the text is _____ .
	  A. The difference between the sale price and the purchase price of an investment.
	  B. Measured by dividing the sum of all cash flows received by the amount invested.
	  C. The reciprocal of a return relative. D. Measured by dividing all cash flows received by its selling price.
		B

49	49. The_____is stated on the basis of 1.0.
	  A. Total return.
	  B. Return relative.
		A

	C. Cumulative wealth index. D. Geometric mean.	

50	50. The return relative solves the problem of _____.
	   A. Inflation.
	   B. Negative returns.
	   C. Interest rates.
	   D. Tax differences.
		A

51	51. In order to determine the compound growth rate of an investment over some period, an investor would calculate the
	
	  _.
	   A. Arithmetic mean.
	   B. Geometric mean.
	   C. Calculus mean.
	   D. Arithmetic median.
		A

52	ference between real and nominal returns is that____ rns adjust for inflation and nominal returns do not. rns use actual cash flows and nominal returns use cash flows. rns adjust for commissions and nominal returns do rns show the highest possible return and nominal how the lowest possible return.	B

53	53. When most people refer to the mean, they are referring to the _A.
	  Median.
	   B. Arithmetic mean. C.
	  Geometric mean. D.
	  Cumulative mean.
		B

54	54. Portfolio weights are found by_____.
	   A. Dividing standard deviation by expected value.
	   B. Calculating the percentage each asset is to the total portfolio value.
	   C. Calculating the return of each asset to total portfolio return.
	   D. Dividing expected value by the standard deviation.
		B

55	55. In order to determine the expected return of a portfolio, all of the following must be Known except
	
	  _____ .
	   A. Probabilities of expected returns of individual assets.
	   B. Weight of each individual asset to total portfolio value.
	   C. Expected return of each individual asset.
	   D. All of the above must be known in order to determine the expected return of a portfolio.
		D

56	56. Which of the following is true regarding the expected return	C
	of a portfolio? A. It is a weighted average only for stock portfolios. B. It can only be positive. C. It can never be above the highest individual return. D. All of the above are true.	
57	57. The relevant risk for a well-diversified portfolio is _____ A. Interest rate risk. B. Inflation risk. C. Business risk. D. Market risk.	D
58	the following portfolios has the least reduction of lio with securities all having positive correlation with her. lio with securities all has zero correlation with each lio with securities all having negative correlation h other. lio with securities ed correlation with	A
59	59. Portfolio risk is best measured by the _____. A. Expected value. B. Portfolio beta. C. Weighted average of individual risk. D. Standard deviation.	C
60	60. Markowitz's main contribution to portfolio theory is _____ A. That risk is the same for each type of financial asset. B. That risk is a function of credit, liquidity and market factors. C. Risk is not quantifiable. D. Insight about the relative importance of variances and co variances in determining portfolio risk.	B
61	61. The major problem with the Markowitz model is its _____A. Lack of accuracy. B. Predictability flaws. C. Complexity. D. Inability to handle large number of inputs.	A

| 62 | 1. According to Markowitz, rational investors will seek efficient portfolios because these portfolios are optimal based on_____. | C |

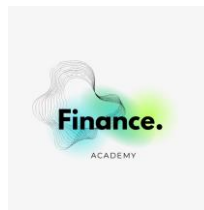| | A. Expected return.
B. Risk.
C. Expected return and risk. D. Transactions costs. | |
63	62. Portfolios lying on the upper right portion of the efficient frontier are likely to be chosen by . A. Aggressive investors. B. Conservative investors. C. Risk-averse investors. D. Defensive investors.	B
64	1. Market risk is best measured by the _____. A. Alpha. B. Beta. C. Standard deviation. D. Coefficient of variation.	D
65		C

66	66. The price to book value ratio tends to be close for _____
	    a. High-tech companies.
	    b. Banks.
	    c. Utilities.
	    d. Service companies.
		D

67	67. The central issue of efficient markets concerns
	_____ . a. Regulations.
	    b. Information.
	    c. Participants.
	    d. Structure
		A

| 68 | 68. A bond issue is broken up so that some investors will receive only interest payments while others will receive only principal payments, which is an example of _____ . a. bundling
    b. un-bundling
    c. financial engineering
    d. B&D | D |

69	69. The highest level of market efficiency is _____ .
	    a. Weak form efficiency.
	    b. Semi-strong form efficiency.
	    c. Random walk efficiency.
	    d. Strong form efficiency
		D

70	70. The last step in fundamental analysis is_____.
	    a. Economic analysis.
	    b. Industry analysis.
	    c. Company analysis.
	    d. Technical analysis.
		D

71	71. Money market funds were a financial innovation partly inspired to circumvent _____
	    a. Regulation Q, which is no longer in existence
	    b. Regulation M
	    c. Regulation D
	    d. Regulation B, which is still in existence
		A

72		A

73	73. The key item for investors on the income statement is _____
	    a. Sales.
	    b. Gross profit.
	    c. Operating expenses.
	    d. After-tax net income.
		D

74	74. Are a way U. S. investor can invest in foreign companies?
	    a. ADRs
	    b. IRAs
	    c. SDRs
	    d. GNMAs
		A

75	75. A model for optimizing the selection of securities is the _____ a. Miller-Orr. b. Black-Sholes. c. Markowitz. d. Gordon.	C
76	76. Which of the following is not normally one of the reasons for a change in an investor's circumstances? a. Change in market conditions. b. Change in legal considerations.	A

|	c. Change in time horizon. d. Change in tax circumstances.	
77	77. The material wealth of a society is equal to the sum of _____ a. All financial assets. b. All real assets. c. All financial and real assets. d. All physical assets.	C
78	78. Are financial assets. a. Bonds b. Machines. c. Stocks. d. Real estate.	B
79	79. Is example of financial intermediaries? a. Commercial banks. b. Insurance companies. c. Insurance companies. d. Credit unions.	C
80	ıt bankers perform the following role_____. arket new stock and bond issues for firms. ovide advice to the firms as to market conditions, ce, etc. sign securities with desirable properties. of the above.	B
81	81. Asset allocation affects the investor's return by _____ a. Altering the returns on individual assets. b. Weighting the portfolio return by the allocation. c. Assuring diversification. d. Increasing the investor's use of mutual funds.	B

82	82. Diversification reduces
	    a. Interest rate risk
	    b. Market risk
	    c. Unique risk
	    d. Inflation risk
		C

83	83. The expected return on an investment in stock is
	  _.
	    a. The expected dividend payments.
	    b. The anticipated capital gains.
	    c. The sum of expected dividends and capital gains.
	    d. Less than the realized return.
		D

84	84. Investment professionals whose jobs may depend on	A

	their performance relative to the market are the _____ .
	    a. Registered representatives.
	    b. Security analysts.
	    c. Investment bankers.
	    d. Portfolio managers.	

85	85. Underlying all investments is the tradeoff between _____
	    e. expected return and actual return
	    f. low risk and high risk
	    g. actual return and high risk
	    h. Expected return and risk.
		D

86	86. Mumbai stock exchange was
	   recognized on a permanent basis in
	  A. 1950.
	  B. 1956. C. 1957.
	   D.1965.
		C

87		D

88	88 International investing is_____.
	  A. Is only practical for institutional investors.
	  B. Increases the overall risk of a stock portfolio.
	  C. Always leads to higher returns than a domestic portfolio.
	  D. Can reduce risk due to increased
		C

89	88. Mr. A is a daring portfolio manager. He wants to increase the
	   return in his portfolio. He should choose stocks from ____ .
	    a. Defensive industry.
	    b. Industry at a growth stage.
	    c. Industry in the maturity period.
	    d. Industry with more export potential.
		B

90	89 in the weekly efficient market, the stock price reflects,
	    a. the company's financial performance
	    b. the past price of the scrip
	    c. the demand for the scrip
	    d. the past price and traded volumes
		D

91	91. What is the primary goal of financial management? A) To minimize the risk	B

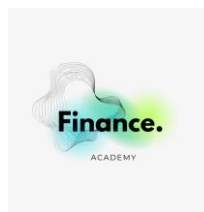|	B) To maximize the return C) To maximize the owner's wealth D) To raise profit	
92	92. A technique uses in comparative analysis of financial statement is A. graphical analysis B. preference analysis C. common size analysis D. returning analysis	C
93	93. Price per share is $30 and an earnings per share is $3.5 then price for earnings ratio would be A. 8.57 times B. 8.57% C. 0.11 times D. 11%	A
94		B
95	95. Low price for earnings ratio is result of A. low riskier firms B. high riskier firms C. low dividends paid D. high marginal rate	A
96	96. Formula such as net income available for common stockholders divided by total assets is used to calculate A. return on total assets B. return on total equity C. return on debt D. return on sales	A
97	97. Price per share divided by earnings per share is formula for calculating A. price earnings ratio B. earning price ratio C. pricing ratio D. earnings ratio	A
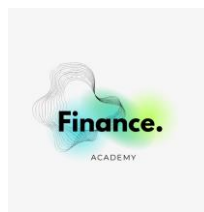
98	98. A point where profile of net present value crosses horizontal axis at plotted graph indicates project A. costs B. cash flows C. internal rate of return	C

	D. external rate of return	
99	99. Present value of future cash flows is $2000 and an initial cost is $1100 then profitability index will be A. 55% B. 1.82 C. 0.55 D. 1.82%	B
100	100. Other factors held constant, greater project liquidity is because of A. less project return B. greater project return C. shorter payback period D. greater payback period	C
101	101. First step in calculation of net present value is to find out A. Present value of equity B. future value of equity C. present value cash flow D. future value of cash flow	C
102	102. Life that maximizes net present value of an asset is classified as A. minimum life B. present value life C. economic life D. transaction life	C
103		A
104	104. An bond whose price will rise above its face value is classified as A. premium face value B. premium bond C. premium stock D. premium warrants	B

| 105 | 105. NUK Company has paid annual dividends of $1.40, $1.75, and $2.00 a share over the past three years, respectively. The company now predicts that it will maintain a constant dividend since its business has levelled off and sales are expected to remain relatively constant. Given the lack of future growth, you will only buy this stock if you can earn at least a 12% rate of return. What is the maximum amount you are willing to pay to buy one share today?
$10.00
b. $13.33
c. $16.67
d. $18.88
e. $20.00 | C |

106	106. Reinvestment risk of bond's is usually higher on A. income bonds B. callable bonds C. premium bonds D. default free bonds	B
107	107. An effect of interest rate risk and investment risk on a bond's yield is classified as A. reinvestment premium B. investment risk premium C. maturity risk premium D. defaulter's premium	C
108	108. Free cash flow is $12000, an operating cash flow is $4000, an investment outlay cash flow is $5000 then salvage cash flow would be A. −$21000 B. $21,000 C. −$3000 D. $3,000	D
109	109. Federal government tax revenues if it exceeds government spending then it is classified as A. budget surplus B. budget deficit C. federal reserve D. federal budget	A
110		C

111	111. Which of the following is a tax saving investment?
	  A) Fixed deposit
	  B) Shares
	  C) NSC
	  D) PPF
		D

112	112. Which of the following is not a financial investment?
	  A) Purchase of shares
	  B) Purchase of bonds
	  C) Purchase of car
	  D) Purchase of debentures
		C

113	113. The fundamental analysis approach has been associated with
	_____.
	  A) Uncertainties
	  B) Certainties
	  C) Ratios
	  D) Balance sheet
		A

114	114. The object of portfolio is to reduce _____ by diversification.	B

	A) Return
	  B) Risk
	  C) Uncertainty
	  D) Percentage	

115	115. Which of the following is not a characteristic of a money market instrument? A. liquidity B. marketability C. long maturity D. liquidity premium	C
116	116. Assets allocation refers to ------ A. choosing which securities to hold based on their valuation B. investing only in "safe" securities C. the allocation of assets into broad assets classes D. bottom -up analysis	C
117	117. Commercial banks differ from other businesses in that both their assets and their liabilities are mostly A. illiquid B. financial C. real D. owned by the government	B
118	the following is a reason for selecting a mutual fund? eturn ciency 1 fees instead of load fees ng portfolio gains	D

119	119. ------- are not financial assets A. bonds B. machines C. stocks D. equities	B
120	120. Which of the following is not normally one of the reason for a change in a investors circumstances? A. change in market conditions B. change in legal considerations C. change in time horizon D. change in tax circumstances	A

Examples partnership, consolidated financial statement, dividend policy

1) **(Income sharing)**

   The partnership contract of the Jones, King and Lane Partnership provided for the division of net income or losses as follows:

- Bonus of 10% of income before bonus to Jones

- Interest at 15% on average capital account balances to each partner

- Residual income or loss equally to each partner

The net income of the Jones, King and Lane Partnership for Year 5 was $1,800,000, and the average capital account balances for that year were Jones $1,000,000, King $2,000,000 and Lane $3,000,000. Based on the information given, share the net income.

Solution

1. The partnership agreement states that there is a 10% bonus to Jones on the income before the bonus.

2. The income before the bonus is $1,800,000.

3. The 10% bonus to Jones is therefore:

   10% of $1,800,000 = $180,000

4. Next, there is 15% interest paid on the average capital account balances to each partner:

   Jones: 15% of $1,000,000 = $150,000

   King: 15% of $2,000,000 = $300,000

Lane: 15% of $3,000,000 = $450,000

5. After the bonus and interest payments, the residual income is to be split equally among the three partners.

Residual income = $1,800,000 - $180,000 - $150,000 - $300,000 - $450,000 = $720,000

This $720,000 is split equally, so each partner gets $240,000.

Therefore, the final income distribution is:

- Jones: $180,000 bonus + $240,000 residual = $420,000

- King: $300,000 interest + $240,000 residual = $540,000

- Lane: $450,000 interest + $240,000 residual = $690,000

2) Ace, Bay & Cap Partnership agreed to (1) liquidate the partnership, (2) share gains and losses on the realization of noncash assets in the ratio 1:3:4, and (3) disburse the $800,000 available cash on June 3 in a safe manner. The partnership had other assets, $1,000,000 liabilities, $500,000, Ace capital $600,000, Bay capital $400,000, and Cap capital $300,000.
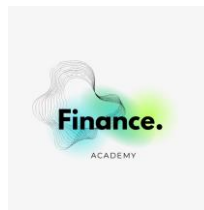
Required:

a) Prepare working paper to show the disbursement of the $800,000 cash in a safe manner.
b) Prepare journal entries for the Ace, Bay & Cap partnership on 3rd June, to show disbursement of the $800,000 cash

3) ABC Ltd., has a Capital of $10,00,000 in equity shares of $100 each the shares are currently quoted at par. The company proposes declaration of a dividend of $10/- share at the end of current financial year. The capitalization rate for the risk class to which company belongs is 12%. What will be the market price of the share at the end of the year. If i) Dividend is not declared ii) If dividend is declared.

4) Consolidation of financial statement

The financial positions of Panda and Sano companies as at 31/12/2012

Details	Panda company $(000)	Sano Company $(000)
Cash	100000	20000
Other current assets	180000	50000
Plants and equipment	120000	40000
Land	-	20000
Total Assets	400000	130000

Liabilities	60000	50000
Common stock $10000 par	200000	50000
Other contributed capital	40000	10000
Retained earnings	100000	20000
Total Equity	400000	130000

On the 1/01/2013, Panda company acquired 4000 shares (80%) of the outstanding common stock of Sano company for $74,000,000 cash. Any differential arising from the acquisition should be assigned to undervalued land.

a) Determine the differential at the date of acquisition. This refers to the differential between the acquisition price paid by PANDA Company and the book value of SANO Company's assets and liabilities at the time of the acquisition on 1/1/2013.

b) prepare the consolidated statement of financial position worksheet as of the date of acquisition.

c) show the eliminating entries as of 31/12/2013 for preparing the consolidated financial statements.

**5)** Pink Co acquired 80% of Scarlett Co's ordinary share capital on 1 January 20X2.

As at 31 December 20X2, extracts from their individual statements of financial position showed:

	Pink C $	Scarlett Co $
Current assets:		
Receivables	50,000	30,000
Current liabilities:		
Payables	70,000	42,000

As a result of trading during the year, Pink Co's receivables balance included an amount due from Scarlett Co of $4,600. Scarlett Co has a corresponding payables balance.

What should be shown as the consolidated figure for receivables and payables?

	Receivables $	Payables $
A	80,000	112,000
B	75,400	112,000
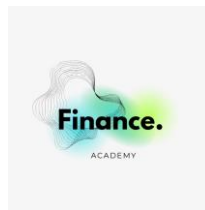
	Receivables $	Payables $
C	74,000	103,600
D	75,400	107,400

6) Rouna company belongs to a risk class of which the appropriate capitalization rate is 10%. It currently has 1,00,000 shares selling at $100 each. The firm is contemplating the declaration of $6/dividend of the end of current fiscal year, which has just begun.

Answer the following questions based on MM model assume that no taxes prevail.

a) What will be the price of shares @ the end of a year if dividend declared and if dividend not declared.

Assuming that the firm pays dividend, has a Net income of $10,00,000 and makes a new investment of $ 20,00,000 during the period how many new shares have to be issued.