

Week 18 MCQ

1. Find the current market price of company's share, assuming $D_0 = \$1.5$, dividend growth rate 3% and required rate 10%. Use Gordon Model for share value evaluation.
 - a. \$20.85
 - b. **\$22.07**
 - c. \$22.95
 - d. \$23.05

2. Find the current market price of Coca-Cola stock assuming dividends grow at a constant rate of 10.95%, $D_0 = \$1$, and the required return is 13%
 - a. **\$54.12**
 - b. \$56.12
 - c. \$53.12
 - d. \$55.12

3. Suppose Microsoft, Inc. was trading at \$27.29 per share. At that time, it pays an annual dividend of \$0.32 per share, and analysts have set a 1-year target price around \$33.30 per share. What is the expected return on this stock?
 - a. 22.4%
 - b. **23.2%**
 - c. 24.2%
 - d. 20.4%

4. NetTrading Corp is in the process of launching an IPO. Last year the company had revenues of \$225 million and earnings of \$19 million. NetTrading investment bankers would like to estimate the value of the company using comparable companies. The investment bankers have assembled the following data for 5 representative companies in the same industry sector that have recently gone public. In each case the ratios are based on the IPO price.

Company	Price / Earnings
ITE	17.4
Entegris	21.2
TSMC	19.8
AbbVie	24.3
BCW	23.8

After the IPO, NetTrading will have 20 million shares outstanding. What would NetTrading IPO price be if it was issued in line with the industry mean?

- a. **\$20.23**
- b. \$20.83
- c. \$21.30
- d. \$22.83

5. TelCorp is in the process of launching an IPO. Last year the company had revenues of \$225 million and earnings of \$19 million. TelCorp's investment bankers would like to estimate the value of the company using comparable companies. The investment bankers have assembled the following data for 5 representative companies in the same industry sector that have recently gone public. In each case the ratios are based on the IPO price.

Company	Price / Earnings
ATE	17.4
Brown Brothers	21.2
BOAC	19.8
SinVie	24.3
ACW	23.8

After the IPO, TelCorp will have 20 million shares outstanding. What would TelCorp's IPO price be if it was issued in line with the industry mean?

- a. \$19.50
- b. **\$20.23**
- c. \$22.13
- d. \$24.86

6. UberFlix went public in June 2003. The following information on shares outstanding was listed in the final prospectus filed with the SEC. In the IPO, the UberFlix issued 2,500,000 new shares. The initial price to the public was \$22.00 per share. The final first-day closing price was \$41.20. What is 'Underpricing' figure for UberFlix?
- 87.27%**
 - 77.27%
 - 97.27%
 - 66.6%
7. UberFlix went public in June 2003. The following information on shares outstanding was listed in the final prospectus filed with the SEC. In the IPO, the UberFlix issued 2,500,000 new shares. The initial price to the public was \$22.00 per share. The final first-day closing price was \$41.20. What is money left on the table (MLOT) figure for UberFlix?
- \$48,000,000**
 - \$42,000,000
 - \$49,000,000
 - \$44,000,000
8. A share of common stock in a firm represents an ownership interest in that firm and allows stockholders to
- vote.
 - receive dividends.
 - receive interest payments.
 - only A and B of the above.**
9. A _____ PE may indicate that the market feels the firm's earnings are very _____ risk and is therefore willing to pay a _____ for them.
- high; low; premium**
 - high; high; discount
 - low; low; discount
 - high; high; premium
10. Suppose the average industry PE ratio for auto parts retailers is 20. What is the current price of Auto Zone stock if the retailer's earnings per share is projected to be \$1.85?
- \$21.85
 - \$37**
 - \$10.81
 - \$9.25