FIN220 Quiz 2 Stock

1. Altayar Service just paid $1.79 to its shareholders as the annual dividend. Simultaneously, the company announced that future dividends will be increasing by 3.2 percent. If you require a 10.5 percent rate of return, how much are you willing to pay to purchase one share of this stock?   
   a. $17.59  
   b. $20.64  
   c. $24.08  
   d. $24.52  
   **E**. $25.31



1. The current yield on AlAhsaa common stock is 3.6 percent. The company just paid a $1.80 dividend and plans to pay $1.86 next year. The dividend growth rate is expected to remain constant at the current level. What is the required rate of return on this stock?   
   a. 3.72 percent  
   b. 4.08 percent  
   c. 5.69 percent  
   d. 6.93 percent  
   **E**. 7.05 percent



1. Forsan just announced that they are increasing the annual dividend to $1.75 and establishing a policy whereby the dividend will increase by 2 percent annually thereafter. How much will one share of this stock be worth six years from now if the required rate of return is 14.5 percent?   
   a. $14.00  
   b. $14.28  
   c. $14.84  
   **D**. $15.77  
   e. $16.08



1. QXZ is a new firm in a rapidly growing industry. The company is planning on increasing its annual dividend by 25 percent a year for the next three years and then decreasing the growth rate to 6 percent per year. The company just paid its annual dividend in the amount of $0.80 per share. What is the current value of one share of this stock if the required rate of return is 17 percent?   
   a. $11.17  
   **B**. $12.14  
   c. $12.94  
   d. $14.27  
   e. $15.06

