

Quiz A 4:20

Quiz B for 2:30 Class: 9/19/12

Name Key

Given the following information on General Electric (GE), set up the calculations (equations and all relevant numbers) that you would need to determine the rate of return per year (annualized return) on GE between 8/31/2011 and 12/22/2011 assuming you did not reinvest any dividends and assuming that you did. Be sure to identify which is which.

Date	Dividend	Price	Day
8/31/2011	0.00	16.31	0
9/15/2011	0.15	16.08	15
12/22/2011	0.17	18.50	113
2/23/2012	0.17	19.31	176
6/21/2012	0.17	19.53	295
8/31/2012	0.00	20.71	366

Note: You don't have to solve anything, just set everything up.

Wall Street Journal Questions are on the back of this page.

$$r_{9/15} = \frac{0.15}{16.31} + \frac{(16.08 - 16.31)}{16.31} \quad (16)$$

$$r_{12/22} = \frac{0.17}{16.08} + \frac{(18.50 - 16.08)}{16.08} \quad (16)$$

$$r_{9/31-12/22} = (1 + r_{9/15})(1 + r_{12/22}) - 1 \quad (9)$$

$$r(1) = \left(1 + r_{9/31-12/22}\right)^{\frac{365}{113}} - 1 \quad (10)$$

$$NPV = -16.31 + \frac{0.15}{(1+r)^{\frac{15}{365}}} + \frac{0.17 + 18.50}{(1+r)^{\frac{113}{365}}} = 0 \rightarrow \text{solve for } r \quad (2)$$