

key to

4:00 Quiz: 1/30/12

Name _____

Quiz: You are considering whether or not to buy stock in a firm that will pay a dividend of \$1.50 nine months from today. After this initial dividend, the firm will continue to pay dividends once a year and will increase its dividend payments by 1% per year. What is the most you would be willing to pay today for the stock if you need to earn a return of 5.5% per year on the stock? Note: you don't have to solve anything, just set up all of the equations and fill in all of the numbers that would be required to solve the problem.

+8 (

$$PV_{-3mo} = \left(\frac{1.50}{.055 - .01} \right)$$

+6 +6 (26)

+8 (

$$FV_0 = PV_{-3mo}(1.055)^{3/12}$$

+6 +10 (24)

WSJ1: What did a bankruptcy judge approve for Lear Corp over the objections of the Justice Department?

- a. firing of employees in the U.S.
- b. reduction in medical benefits for Lear's retired employees
- C. \$20.6 million in bonuses for key executives and other employees**
- d. closing of factories in the U.S.
- e. issuance of shares of Lear stock to Lear bondholders in Iran

WSJ2: The Wall Street Journal reports that _____ could file papers for its initial public offering as early as this coming week, people familiar with the matter said, as anticipation mounts for what is likely to be one of the biggest debuts for a U.S. company.

- a. Bechtel
- B. Facebook**
- c. Mars
- d. Koch Industries
- e. Cargill

WSJ3: The Wall Street Journal reports that Richard D. Parsons, who as chairman of _____ helped steer the bank through its near-death experience in the financial crisis, is considering stepping down after three years in the post.

- A. Citigroup**
- b. J.P. Morgan Chase
- c. Bank of America
- d. Goldman Sachs
- e. Morgan Stanley