

**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.

**Note: Bonus WSJ Questions on back of page**