Chapter 7 - Homework Questions

4. Stock Values. Take Time Corporation will pay a dividend of $3.65 per share next year. The company pledges to increase its dividend by 5.1 percent per year, indefinitely. If you require a return of 11 percent on your investment, how much will you pay for the company's stock today?

5. Stock Valuation. Mitchell, Inc., is expected to maintain a constant 4.6 percent growth rate in its dividends, indefinitely. If the company has a dividend yield of 5.8 percent, what is the required return on the company's stock?

13. Stock Valuation and PE Ratio. The Sleeping Flower Co. has earnings of $2.65 per share. The benchmark PE for the company is 18. What stock price would you consider appropriate? What if the benchmark PE were 21?