Stock market and common stock essay sample

Authorized and available shares Aspin Corporation’s charter authorizes issuance of 2, 000, 000 shares of common stock. Currently, 1, 400, 000 shares are outstanding, and 100, 000 shares are being held as treasury stock. The firm wishes to raise $48, 000, 000 for a plant expansion. Discussions with its investment bankers indicate that the sale of new common stock will net the firm $60 per share. a. What is the maximum number of new shares of common stock that the firm can sell without receiving further authorization from shareholders? b. Judging on the basis of the data given and your finding in part a, will the firm be able to raise the needed funds without receiving further authorization? c. What must the firm do to obtain authorization to issue more than the number of shares found in part a?

500, 000 acciones.

No son suficientes harían falta alrededor de 300, 000 acciones adicionales a las 500, 000 disponibles, los dueños de la empresa deberían de mostrar por que el plan que se quiere hacer para que los demás acepten la creación de mas acciones comunes. P7-6

Common stock value—Zero growth Kelsey Drums, Inc., is a well-established supplier of fine percussion instruments to orchestras all over the United States. The company’s class A common stock has paid a dividend of $5. 00 per share per year for the last 15 years. Management expects to continue to pay at that amount for the foreseeable future. Sally Talbot purchased 100 shares of Kelsey class A common 10 years ago at a time when the required rate of return for the stock was 16%. She wants to sell her shares today. The current required rate of return for the stock is 12%. How much capital gain or loss will Sally have on her shares? La accion cuesta $41. 66 pesos (5/. 12), el total por las 100 acciones es de $4, 166. Hace 10 años las acciones costaban $31. 25 por acción por lo que Sally tendrá una ganancia de $1, 041. P7-9

Common stock value—Constant growth McCracken Roofing, Inc., common stock paid a dividend of $1. 20 per share last year. The company expects earnings and dividends to grow at a rate of 5% per year for the foreseeable future. a. What required rate of return for this stock would result in a price per share of $28?

b. If McCracken expects both earnings and dividends to grow at an annual rate of 10%, what required rate of return would result in a price per share of $28? 1. 20/(r-0. 05)= 28 R= 9. 29%

1. 20/(r-0. 1)= 28 R= 14. 29%

P7-10

Common stock value—Constant growth Elk County Telephone has paid the dividends shown in the following table over the past 6 years.

Year Dividend per share

2012 $2. 87

2011 2. 76

2010 2. 60

2009 2. 46

2008 2. 37

2007 2. 25

The firm’s dividend per share next year is expected to be $3. 02.

a. If you can earn 13% on similar-risk investments, what is the most you would be willing to pay per share?

b. If you can earn only 10% on similar-risk investments, what is the most you would be willing to pay per share?

c. Compare and contrast your findings in parts a and b, and discuss the impact of changing risk on share value.

G=((3. 02/2. 25)e(1/6))-1= 5. 03

P=(3. 02/. 13-. 05)=$37. 88

P=(3. 02/0. 1-0. 0503)=$60. 76

Al tener una tasa de riesgo más pequeña es más costoso comprar esas acciones debido a que las personas buscan el menor riesgo posible por lo que las personas pagarían más por ese tipo de acciones.