

Ntu career

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Score: 120 out of 120 points (100%) 1. award: 10 out of 10 points Which of the following valuation measures is often used to compare firms which have no earnings? Price-to-book ratio P/E ratio Price-to-cash flow ratio Price-to-sales ratio 2. award: 10 out of 10 points When Google's share price reached \$475 per share Google had a P/E ratio of about 68 and an estimated market capitalization rate of 11.5%. Google pays no dividends. What percentage of Google's stock price was represented by PVGO? 92% 87% 77% 64% 3. award: 10 out of 10 points A firm is expected to produce earnings next year of \$3.00 per share.

It plans to reinvest 25% of its earnings at 20%. If the cost of equity is 11%, what should be the value of the stock? \$27.27 \$50.00 \$66.67 \$70.00 $g = .25 \times .20 = .05$; $P = 3.0 / (.11 - .05) = 50.00$ 4. award: 10 out of 10 points The free cash flow to the firm is reported as \$198 million. The interest expense to the firm is \$15 million. If the tax rate is 35% and the net debt of the firm increased by \$20 million, what is the market value of the firm if the FCFE grows at 3% and the cost of equity is 14%? \$1,893 billion \$1,893 billion \$2,497 billion \$2,585 billion \$3,098 billion $FCFE = 198 - 15(1 - .35) + 20 = 208.5$. Value = $208.25 / (.14 - .03) = 1893$. 5. award: 10 out of 10 points If a firm has a free cash flow equal to \$50 million and that cash flow is expected to grow at 3% forever, what is the total firm value given a WACC of 9.5%? \$679 million \$715 million \$769 million \$803 million Total value = $50 / (.095 - .03) = 769.23$ 6. award: 10 out of 10 points A firm has a stock price of \$54.75 per share. The firm's earnings are \$75 million and the firm has 20 million shares outstanding. The firm has an ROE of 15% and a

plowback of 65%. What is the firm's PEG ratio? 1. 50 1. 25 1. 10 1. 00 7.

award: 10 out of 10 points

Ace Frisbee Corporation produces a good that is very mature in their product life cycles. Ace Frisbee Corporation is expected to pay a dividend in year 1 of \$3.00, a dividend in year 2 of \$2.00, and a dividend in year 3 of \$1.00. After year 3, dividends are expected to decline at the rate of 2% per year. An appropriate required return for the stock is 8%. Using the multistage DDM, the stock should be worth _____ today. \$13.07 \$13.58 \$18.25 \$18.78

8. award: 10 out of 10 points Caribou Gold Mining Corporation is expected to pay a dividend of \$4 in the upcoming year. Dividends are expected to decline at the rate of 3% per year.

The risk-free rate of return is 5% and the expected return on the market portfolio is 13%. The stock of Caribou Gold Mining Corporation has a beta of 0.50. Using the CAPM, the return you should require on the stock is _____. 2% 5% 8% 9% 9. award: 10 out of 10 points

You are considering acquiring a common share of Sahali Shopping Center Corporation that you would like to hold for one year. You expect to receive both \$1.25 in dividends and \$35 from the sale of the share at the end of the year. The maximum price you would pay for a share today is _____ if you wanted to earn a 12% return. 31.25 \$32.37 \$38.47 \$41.32 10. award: 10 out of 10

points Each of two stocks, A and B, are expected to pay a dividend of \$7 in the upcoming year. The expected growth rate of dividends is 6% for both stocks. You require a return of 10% on stock A and a return of 12% on stock B. Using the constant growth DDM, the intrinsic value of stock A _____. will be higher than the intrinsic value of stock B will be the same as the

intrinsic value of stock B will be less than the intrinsic value of stock B more information is necessary to answer this question award: 11. ward: 10 out of 10 points If a firm increases its plowback ratio this will probably result in a(n) _____ P/E ratio. higher lower unchanged unable to determine 12. award: 10 out of 10 points If a stock is correctly priced then you know that _____. the dividend payout ratio is optimal the stock's required return is equal to the growth rate in earnings and dividends the sum of the stock's expected capital gain and dividend yield is equal to the stock's required rate of return the present value of growth opportunities is equal to the value of assets in place