

# Corporate financeassignment assignment

[Business](#)



You have found the following stock quote from ARC Enterprises, Inc. in the financial pages of today's newspaper. What is the annual dividend? What was the closing price for this stock that appeared in yesterday's paper? If the company currently has 25 million shares of stock outstanding, what was the net income for the most recent four quarters?

**EXERCISE 3** Janice Corp. is experiencing rapid growth. Dividends are expected to grow at a 30 percent rate for the next three years, 17 percent over the following year, and then 7 percent per year thereafter. If the required return is 10 percent and the company just paid a \$2.40 dividend, what is the current share price?

**EXERCISE 4** The Steamboat Corporation currently has earnings per share of \$7.50. The company has no growth and pays out all earnings as dividends. It has a new project which will require an investment of \$1.10 per share in one year. The project is only a two-year project, and it will increase earnings in the two years following the investment by \$2.30 and \$2.60, respectively. Investors require a 11 percent return on Steamboat stock. 1. What is the value per share of the company's stock assuming the firm does not undertake the investment opportunity? 2.

If the company does undertake the investment, what is the value per share now? 3. Again, assume the company undertakes the investment. What will the price per share be four years from now?

**EXERCISE 5** Filer Manufacturing has 7.5 million shares of common stock outstanding. The current share price is \$49, and the book value per share is \$4. Filer Manufacturing also has two bond issues outstanding. The first bond issue has a face value of \$60 million and a 7 percent coupon and sells for 93 percent of par. The second issue has a face value of \$50 million and a 6.5 percent coupon and sells for 96. Recent

of par. The first issue matures in 10 years, the second in 6 years. 1 . What are Filer's capital structure weights on a book value basis? 2. What are Filer's capital structure weights on a market value basis? E EXERCISE 6 In the previous problem, suppose the company's stock has a beta of 1. 2. The risk-free rate is 5. 2 percent, and the market risk premium is 7 percent. Assume that the overall cost of debt is the weighted average implied by the two outstanding debt issues. Both bonds make semiannual payments.