Question 1

The 8.5 percent annual coupon bonds of the ABC Co. are selling for $1,179. The bonds mature in 12 years. The bonds have a par value of $1,000. If the tax rate is 30%, what is the after-tax cost of debt?

Question 2

ABC Industries will pay a dividend of $2 next year on their common stock. The company predicts that the dividend will increase by 6 percent each year indefinitely. What is the firm’s cost of equity if the stock is selling for $39 a share?

**Question 3**

Several years ago, the ABC Company sold a $1,000 par value bond that now has 20 years to maturity and a 7.00% annual coupon that is paid semiannually.  The bond currently sells for $925 and the company’s tax rate is 40%.  What is the after-tax cost of debt?

**Question 4**

The ABC Company has a cost of equity of 16.8 percent, a pre-tax cost of debt of 7.9 percent, and a tax rate of 30 percent. What is the firm’s weighted average cost of capital if the proportion of debt is 58.4%?

**Question 5**

If the market value of debt is $120,314, market value of preferred stock is $84,574, and market value of common equity is 238,009, what is the weight of common equity?

**Question 6**

The 8 percent annual coupon bonds of the ABC Co. are selling for $1,080.69. The bonds mature in 10 years. The bonds have a par value of $1,000. What is the before-tax cost of debt?

**Question 7**

You were hired as a consultant to ABC Company, whose target capital structure is 35% debt, 15% preferred, and 50% common equity.  The before-tax cost of debt is 6.50%, the yield on the preferred is 6.00%, the cost of common stock is 11.25%, and the tax rate is 40%. What is the WACC?

**Question 8**

ABC Industries will pay a dividend of $3 next year on their common stock. The company predicts that the dividend will increase by 7 percent each year indefinitely. What is the dividend yield if the stock is selling for $25 a share?

**Question 9**

The 8 percent annual coupon bonds of the ABC Co. are selling for $880.76. The bonds mature in 10 years. The bonds have a par value of $1,000 and payments are made semi-annually? What is the before-tax cost of debt?

**Question 10**

ABC, Inc., has 712 shares of common stock outstanding at a price of $31 a share. They also have 212 shares of preferred stock outstanding at a price of $86 a share. There are 811, 8 percent bonds outstanding that are priced at $79. The bonds mature in 16 years and pay interest semiannually. What is the capital structure weight of the preferred stock?

**Question 11**

If the market value of debt is $175,863, market value of preferred stock is $54,658, and market value of common equity is 323,826, what is the weight of preferred stock?

**Question 12**

ABC Inc.'s perpetual preferred stock sells for $62.8 per share, and it pays an $9.3 annual dividend.  If the company were to sell a new preferred issue, it would incur a flotation cost of $4 per share.  What is the company's cost of preferred stock for use in calculating the WACC?

**Question 13**

The before-tax cost of debt is 8.6 percent. What is the after-tax cost of debt if the tax rate is 44 percent?

**Question 14**

The 7 percent annual coupon bonds of the ABC Co. are selling for $950.41. The bonds mature in 8 years. The bonds have a par value of $1,000 and payments are made semi-annually. If the tax rate is 35%, what is the after-tax cost of debt?

**Question 15**

ABC Enterprises' stock is currently selling for $75.3 per share.  The dividend is projected to increase at a constant rate of 6.4% per year.  The required rate of return on the stock is 12%.  What is the stock's expected price 5 years from today (i.e. solve for P5)?

**Question 16**

A stock just paid a dividend of $1.4.  The required rate of return is 16%, and the constant growth rate is 5.2%.  What is the current stock price?

**Question 17**

ABC Enterprises' stock is expected to pay a dividend of $1.9 per share.  The dividend is projected to increase at a constant rate of 5.2% per year.  The required rate of return on the stock is 17.6%.  What is the stock's expected price 3 years from today (i.e. solve for P3)?

**Question 18**

The common stock of Connor, Inc., is selling for $58 a share and has a dividend yield of 2 percent. What is the dividend amount?

**Question 19** ABC's last dividend was $2.8.  The dividend growth rate is expected to be constant at 23% for 3 years, after which dividends are expected to grow at a rate of 7% forever.  If the firm's required return (rs) is 16%, what is its current stock price (i.e. solve for Po)?

**Question 20**

**If D1 = $5.24, g (which is constant) = 2%, and P0 = $51.83, what is the stock’s expected dividend yield for the coming year?**

**Question 21**

**ABC just paid a dividend of D0 = $4.6.  Analysts expect the company's dividend to grow by 31% this year, by 23% in Year 2, and at a constant rate of 7% in Year 3 and thereafter.  The required return on this stock is 16%.  What is the best estimate of the stock’s current market value?**

**Question 22**

ABC Inc., is expected to pay an annual dividend of $4.8 per share next year. The required return is 15.8 percent and the growth rate is 8.6 percent. What is the expected value of this stock five years from now?

**Question 23**

If D1 = $3.4, g (which is constant) = 2.1%, and P0 = $67, what is the stock’s expected total return for the coming year?

**Question 24**

A stock just paid a dividend of D0 = $2.  The required rate of return is rs = 13.6%, and the constant growth rate is g = 6.6%.  What is the current stock price?

**Question 25**

If last dividend = $2, g = 6.8%, and P0 = $75.8, what is the stock’s expected total return for the coming year?

**Question 26**

ABC's stock has a required rate of return of 19.3%, and it sells for $74 per share.  The dividend is expected to grow at a constant rate of 3.6% per year.  What is the expected year-end dividend, D1?

**Question 27**

A stock's next dividend is expected to be $1.8.  The required rate of return on stock is 16.3%, and the expected constant growth rate is 7.6%.  What is the stock's current price?

**Question 28**

ABC is expected to pay a dividend of $3.8 per share at the end of the year.  The stock sells for $187 per share, and its required rate of return is 13.5%.  The dividend is expected to grow at some constant rate, g, forever.  What is the growth rate (i.e. solve for g)?

**Question 29**

ABC Company's last dividend was $2.3.  The dividend growth rate is expected to be constant at 29% for 2 years, after which dividends are expected to grow at a rate of 6% forever.  The firm's required return (rs) is 16%.  What is its current stock price (i.e. solve for Po)?

**Question 30**

The common stock of Wetmore Industries is valued at $21.2 a share. The company increases their dividend by 6.2 percent annually and expects their next dividend to be $1.8. What is the required rate of return on this stock?

**Question 31**

ABC’s last dividend paid was $1.2, its required return is 17.8%, its growth rate is 8.4%, and its growth rate is expected to be constant in the future.  What is Sorenson's expected stock price in 7 years, i.e., what is P7?