4th week in class activities

One-period Valuation Model

1) Using the one-period valuation model, assuming a year-end dividend of $0.11, an expected sales price of $110, and a required rate of return of 10%, the current price of the stock would be

2) Using the one-period valuation model, assuming a year-end dividend of $1.00, an expected sales price of $100, and a required rate of return of 5%, the current price of the stock would be

The Generalized Dividend Valuation Model

3) Using the Generalized dividend valuation model, If D_1 = $1, D_2 = $3, D_3 = $5, P_3 =$120, and a required rate of return of (K_e) 5%. What would be the current price the stock (P_0)?

The Gordon Growth Model

4) Using the Gordon growth formula, if D_1 is $2.00, k_e is 12% or 0.12, and g is 10% or 0.10, then the current stock price is

5) Using the Gordon growth formula, if D_1 is $1.00, k_e is 10% or 0.10, and g is 5% or 0.05, then the current stock price is