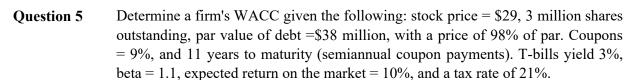
Finance 360: Principles of Financial Management (Joseph Farizo) Problem Set 6			Version:	100
Name:	Key: Version 100	Due:	0	
for each questic completed, use first page. Save Example: "V10	wers in the boxes below each question. On on. No credit will be awarded if you provion the Adobe Scan app to take a picture and so the file as V# where the # is your version 01.pdf" if you have Version 101. Upload as are important, only minimal partial credit is	de an answer but ave as a single PI number from the to josephfarizo.	show no work.  OF file with this top right of this	When as the spage.
Question 1	Lake Clark Inc. doesn't pay dividends. (a) Calculate the stock's implied price given it has a net income of \$40 million, 5 million shares outstanding, and the average PE ratio in its industry is 25. If the stock is trading at \$197.30 per share, does your implied price suggest you should (b) BUY or SELL the stock?			
	\$200, buy			
Question 2	What is the instrinsic value of a share of White Sands Inc. if they have just paid a \$2 dividend, you expect these dividends to grow indefinitely at 3%, the risk free rate is 3%, the expected return of the market is 11%, and the stock's beta is 1.3?			
	\$19.81			
Question 3	The expected return of the market is 6%. required rate of return on Wrangell–St. E calculate the stock's beta. Then use this be would fall if the market were to fall 13.00%	Elias Inc. is 6.80% peta to (b) predict %?	6. By the CAP	M, (a)
	Beta = 1.4, -18.20%	0		
Question 4	There's a 42% chance of a recession and a B, and C return -7%, -3%, and -7%, respectively, in expansions. What with 3/4 of your money in A, and the rest s	pectively, in recess t's the standard dev	sions, and 11%, viation of the po	, 13%,



9.675%

Question 6 A stock has expected year-end dividends over the next 4 years of \$2, \$3, \$5, and \$7. After the last dividend (year 4), you expect dividends to grow indefinitely at 1%. What is the intrinsic value of a share? T-bills yield 2%, the expected return of the market is 11%, and the stock's beta is 1.05.

\$56.21

Question 7 You paid \$100 for a share of Redwood Inc. stock, and held until you received a \$8 dividend, then immediately sold for \$104. What was your (a) dividend yield, (b) capital gains yield, and (c) total return in percent?

(a) = 8%, (b) = 4%, (c) = 12%

Question 8 There's a 54% chance of a recession and 46% chance of an expansion. Stocks A, B, and C return -3%, -4%, and -4%, respectively, in recessions, and 10%, 10%, and 9%, respectively, in expansions. What's the expected return of the portfolio with 3/4 of your money in A, and the rest split equally between B and C?

2.7875%

Question 9 The expected return of the market is 9%. EEE Corp's stock price generally moves 1.6% when the market moves 1%. Risk-free 90-day T-bills yield 1%. (a) What is the expected return (or the required rate of return) of this stock? (b) What would the required rate of return be if the stock had a beta of 1.83?

(a) = 13.8% (b) = 15.64%

Rate this problem set from 1 to 5, with 1 being "very easy" and 5 being "very difficult." (circle one)

2 3 4

About how many minutes did you spend on this problem set? (circle one)

<45 45 60 75 >75