**Homework of Chapter 14**

***Problems on P602: 14-5, 14-7***

**Question 14-5:** JPix management is considering a stock split. JPix currently sells for $120 per share and a 3 for 2 stock split is contemplated. What will be the company’s stock price following the stock split, assuming that the split has no effect on the total market value of JPix’s equity?

**Question 14-7:** Suppose you own 2,000 common shares of Laurence Inc. The EPS is $10, the DPS is $3, and the stock sells for $80 per share. Laurence announce a 2 for 1 split. Immediately after the split, how many shares will you have, what will the adjusted EPS and DPS be, and what would you expect the stock price to be?

Solution (FYI):

14-5 P0 = $120; Split = 3 for 2; New P0 = ? P0 New =  = $80.

14-7 Number of shares = 2,000(2) = 4,000. EPS = $10.00/2 = $5.00. DPS = $3.00/2 = $1.50. Price = $40.00.