**Chapter 8 Home Work**

1. Northern Gas recently paid a $2.80 annual dividend on its common stock. This dividend increases at an average rate of 3.8 percent per year. The stock is currently selling for $26.91 a share. What is the market rate of return?

2. Douglass Gardens pays an annual dividend that is expected to increase by 4.1 percent per year. The stock commands a market rate of return of 12.6 percent and sells for $24.90 a share. What is the expected amount of the next dividend?

3. IBM just paid $3.00 dividend per share to investors. The dividend growth rate is 10%. What is the expected dividend of the next year?

4. You bought 1 share of HPD for $20 in May 2008 and sold it for $30 in May 2009. How much is the holding period?

5. The current market price of stock is $50 and the stock is expected to pay dividend of $2 with a growth rate of 6%. How much is the expected return to stockholders?

6. The stockholder’s expected return is 8% and the stock is expected to pay dividend of $2 with a growth rate of 4%. How much should the stock be traded for?

7. The stockholder’s expected return is 8% and the stock is expected to pay dividend of $2 with a growth rate of 4%. How much is the dividend expected to be three years from now? (Hint: D3 = D2\*(1+g) = D1\*(1+g)2 )

8. Kilsheimer Company just paid a dividend of $5 per share. Future dividends are expected to grow at a constant rate of 7% per year. The value of the stock is $42.80. What is the required return of this stock?

9. Investors of Creamy Custard common stock earns 15% of return. It just paid a dividend of $6.00 and dividends are expected to grow at a rate of 6% indefinitely. What is expected price of Creamy Custard's stock?

10.  Douglass Gardens pays an annual dividend that is expected to increase by 6 percent per year. The stock commands a market rate of return of 12.6 percent and sells for $24.90 a share. What is the dividend yield of this stock?