



- 5) Pickles & Jam Company, symbol PJ, is paying \$1.05 per year in dividends. Their dividend growth rate has been very constant at 5%. Our expected rate of return is 8%. At what price would we consider PJ to be a good investment? Which dividend discount model did you use?
- 6) Universal Furniture Offerings, symbol UFO, is currently selling for \$31 per share. The dividends for the next three years are expected to be \$0.18 for 2012, \$0.24 for 2013, and \$0.28 for 2014. We forecast the price per share to be \$44 at the end of 2014. If we desire a rate of return of 8%, using the Dividends-and-Earnings Model, would we consider this a good investment?
- 7) ABC Corporation is currently \$55 per share. The dividends for the next four years are expected to be \$1.00 for 2012, \$1.12 for 2013, \$1.18 for 2014, and \$1.24 for 2015. We forecast the price per share to be \$74 at the end of 2015. If we desire a rate of return of 10%, using the Dividends-and-Earnings Model, would we consider this a desirable investment? What if our required rate of return were 7%?
- 8) The price of NanoGene Unlimited, stock symbol NAGU, is currently \$65 per share. The company pays no dividends. Justin Tyme expects the price three years from now to be \$100 per share. If Justin desires a 13% rate of return, at what price would we consider NAGU to be a good investment for him?