BUS-123 Spring 2014 | Common Stock Valuation | Name: __________________
Instr: F. Paiano | Due:TueThurs March 27th; March 29th (10 points) | Chap 6 Chapter Assignment

1. The price of C. F. Eye Care Corporation (CFEC) is currently $23 per share. Their earnings per share (EPS) is $1.25. Their 5-year average P/E is 22. If CFEC's earnings per share are expected to grow at 6% next year, what would you expect their price to be?

2. CFEC's cash flow per share (CFPS) is currently $1.80 per share. Their 5-year average Price-to-Cash Flow per Share ratio is 16. If we expect their cash flow per share to grow by 8% next year, what would you expect their price to be next year?

3. Finally, CFEC's sales per share (SPS) is currently $2.50 per share. Their 5-year average Price-to-Sales per Share ratio is 13. If we expect their sales per share to grow by 10% next year, what would you expect their price to be next year?

4) Nevada Power & Lighting pays $2.50 per year in dividends, has done so for many years, and we expect it to continue doing so well into the future. If our expected rate of return is 8%, how much would we be willing to pay for the stock? If the stock were selling for $36, would we consider it a good investment? Which dividend discount model did you use?

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 in 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 2013, $0.24 for 2014, and $0.28 for 2015. We forecast the price per share to be $44 at the end of 2015. If we desire a rate of return of 8%, using the Discounted Cash Flow 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 2013, $1.12 for 2014, $1.18 for 2015, and $1.24 for 2016. We forecast the price per share to be $74 at the end of 2016. If we desire a rate of return of 10%, using the Discounted Cash Flow 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? What model did you use?