Answers to Review I, Summer 2001

Multiple Choice

1. c 6. c
2. a 7. b
3. c 8. c
4. c 9. b
5. c 10. a

Problems

1. (a) $9,000
   (b) TDR=$3,500  TPR=16.67%
   (c) $30 per share

2. quarterly required rate=9.08%  annual req. rate (APR)=36.32%

3. (a) Typo in question sheet: 12 months is 4 quarters, not three!
      $52.14 (FV of $45, growing at 3.75% per quarter, for 4 quarters)
   (b) −4.88% per quarter! Dividends are growing at a negative rate!