SPRING 2018 - GENERAL MATH - QUIZ 4

Closed book, one page of notes OK, calculators OK. All problems equal value. Write your answers on the blanks provided.

1) Shares of common stock represent ownership, or equity, in a company (T/F) **true**

2) The P/E ratio is the ratio of stock price to dividend amount (T/F) **false**...**annual per share earnings amount**

3) Selling a stock for more than you paid for it results in a capital gain (T/F) **true**

4) What is the yield for a stock costing $35 per share with a dividend of $3.00?
$\frac{35}{3} = .0857$ **or** 8.57%

5) If a stock pays out half of its per share earnings as a dividend, the P/E ratio is 20, and the dividend is $1.50, what is the share price? **earnings** $= 2 \cdot (1.50)$, **or** $3 **per share**, **so** $3 \cdot 20 = \$60$

6) A bond is a form of loan to a company (or government entity, including FGCU) (T/F) **true**

7) If a bond is redeemed at $1000 face value after one year, and you bought it for $925, what interest rate did you earn? **you received** $\$1000 - \$925 = \$75$, **so** $\frac{75}{925} = .081$ **or** 8.1%

8) If you want an annuity worth $10,000 available in 20 years and you can get 4% annually compounded interest, what would you need to pay at the end of each year? **solve for** "**P**"...335.85

9) If you pay $100 at the end of each quarter for an annuity earning 6% APR, what is the balance after 15 years? $n = $ **4 in formula**, **so** $\$9621.47$

10) If you pay $800 per year into an annuity at the *beginning* of each year for 10 years and earn 5%, what is the value at the end of year 10? $\$10,565.43$
This is the same as paying $800 at the end of each year (ordinary annuity) for 11 years, then deducting the payment made at the end of the eleventh year (which earns no interest)