

Quiz

1. You bought a stock five years ago. P_0 represents your purchase cost and P_1 represents the price at the end of the first year that you owned the stock. The equation for computing the capital gain during the third year that you owned the stock is:

- A. $(P_3 - P_2) \div P_2$.
- B. $(P_2 - P_1) \div P_0$.
- C. $(P_3 - P_2) \div P_0$.
- D. $(P_3 - P_0) \div P_0$.
- E. $(P_3 - P_0) \div P_2$.

You are looking for the gain in year 3.

2. You purchased a bond for \$1,016 one year ago. Today, you received the annual interest payment of \$60. The bond can be sold for \$1,008 today. Ignoring taxes, your total percentage return on this investment is _____ percent.

- A. 98
- B. 5.12
- C. 47
- D. 91
- E. 23

The dividend yield is 5.906 percent and the capital gains yield is -0.787 percent.

3. One year ago, Betty purchased 200 shares of stock at a price of \$27.15 per share. The stock pays an annual dividend of \$0.96 per share. Today, the shares are selling for \$28.07 per share. The total dollar return is _____ and the total percentage return is _____ percent.

- A. \$184; 6.92
- B. \$184; 7.47
- C. \$184; 10.11
- D. \$376; 6.92
- E. \$376; 10.11

The capital gains dollar amount is \$184 and the dividend amount is \$192.

4. Theresa purchased 600 shares of Black Tower Records stock at a price of \$37.92 per share. One year later, the shares were selling for \$35.52 each. What is the total dollar return for the year on this investment if the firm pays an annual dividend of \$2.40 per share?

- A. \$0
- B. \$1,440
- C. \$1,880
- D. \$2,220
- E. \$2,880

This is the total amount of the dividends.

5. One year ago, Jillian purchased 100 shares of Long Life Batteries (LLB) stock at a price of \$58.17 a share. LLB pays an annual dividend of \$1.34, which the firm paid this morning. Currently, the stock is priced at \$60.09 a share. For the year, the capital gain is _____ percent, the dividend yield is _____ percent, and the total return is _____ percent.

- A. 20; 2.23; 5.43
- B. 30; 2.47; 5.77
- C. 3.30; 2.30; 5.60
- D. 40; 2.23; 5.63
- E. 40; 2.30; 5.70

You have based your yields on the closing stock price, rather than the initial price as you should have.

6. Last year at this time, you purchased 1,000 shares of Holiday Arts stock for \$11.18 a share. You just received the annual dividend of \$0.025 a share. Today, you sold your shares for \$14.20 a share. What is your total percentage return on this stock?

- A. 40 percent
- B. 60 percent
- C. 80 percent
- D. 16 percent
- E. 27.24 percent

The formula is $(P_1 + D_1) / P_0$.

7. One year ago, you purchased 300 shares of Amos Companies at a price of \$36.15. Today, you sold the stock for \$34.10. Your total percentage return on this investment is -3.90 percent. What is the dollar amount of the annual dividend?

- A. \$0.39
- B. \$0.64**
- C. \$1.06
- D. \$1.21
- E. \$1.34

The capital gains yield is -5.671 percent.

8. One share of Rosie's common stock sold for \$79 one year ago. For this year, the company has a total return of 7.19 percent and a dividend yield of 4.43 percent. The annual dividend is _____ and the capital gain for the year is _____.

- A. \$2.75; \$2.18
- B. \$2.75; \$3.10
- C. \$2.90; \$3.10
- D. \$3.50; \$2.18**
- E. \$3.50; \$3.10

The dividend is \$3.50.

9. You purchased a bond on January 1 for \$921.40 that has a \$1,000 face value and an 8 percent annual coupon. Now, one year later, the bond is selling for \$1,034.20. What is the total dollar return on this bond for the year?

- A. \$32.80
- B. \$112.80
- C. \$120.80
- D. \$152.80
- E. \$192.80**

The interest income for the year is \$80.

10. Last year on this date, you purchased 1,000 shares of preferred stock for \$50.50 per share. The stock pays an annual dividend per share of 7 percent of the \$100 par value. Today, this stock is worth \$52 a share. What is your total dollar return for this past year assuming that you wish to continue owning these shares?

- A. \$1,500
- B. \$1,650
- C. \$7,700
- D. \$8,500**
- E. \$9,000

This is the amount of the capital gain.