

Problem-1:

Khalaf Associates, Inc. has a \$1000 par-value bond issue that pays 10% coupon and has 20 years till maturity. A bond issue of Sam Technologies, Inc. has exactly same risk characteristics and currently selling to yield a 12% rate of return. Compute the value of the Khalaf Associates, Inc. bonds provided Khalaf Associates, Inc. bonds pays interest quarterly.

Problem-2:

Collin International, Inc has a bond issue that currently sells for \$955, has a 12% coupon interest rate and a \$1,000 par value, pays interest semi-annually, and has 15 years to maturity.

- (a) Calculate the yield to maturity on this bond.
- (b) Khalaf Associates, Inc. wants to issue a \$1000 par-value semi-annual bond with exactly same risk characteristics as the above bond issue of Colling International, Inc. What must be the coupon rate of the bonds of Khalaf Associates, Inc. in order for the issue to sell at par value?

Problem-3:

Collin International, Inc has an outstanding preferred stock issue with \$100 par-value and 15% cumulative annual dividend. Collin International, Inc has not paid dividends on its preferred stock in the last 2 years, but expected to start paying dividends again in 1 years. If investors require a 10% rate of return, what is the current value of Collin International, Inc preferred stock?

Problem-4:

Sam Technologies, Inc paid \$1.5 of dividends this year to its common stockholder. The dividends are expected to grow at a rate of 5% per year. If the required rate of return is 12% per year, what is the current value of the stock?

Problem-5

Khalaf Associates, Inc.'s stock is currently selling for \$52.00. The company is expected to pay a dividend of \$4 next year and the dividends are expected to grow at a rate of 5% forever. What is the yield on the common stock (i.e. required rate of return)?

Problem-6

The common stock of Khalaf Associates, Inc. has a required return of 15%. The company paid a dividend of \$2.60 per share this year. The company's dividend is expected to grow at an annual

rate of 5% for the next 3 years, followed by a constant annual rate of 7% from year 4 to infinity. Estimate the value of the common stock of Khalaf Associates, Inc.

Problem-7

Sam Technologies, Inc.'s stock has a required return of 10%. The company is expected to pay a dividend of \$2.64 per share next year. anticipates that its future dividends will increase at an annual rate consistent with that experienced over the 2011-2015 period, when the following dividends were paid.

YEAR	DIVIDENDS PER SHARE
2015	\$2.45
2014	2.28
2013	2.10
2012	1.95
2011	1.82

- What is the value of Sam Technologies, Inc.'s stock?
- If the risk-free rate is 10%, what is the risk premium on Sam Technologies, Inc.'s stock?