

**FIN 533 Homework**

**Due Thursday, November 5, 2009**

1. Rajesh Robots just paid a dividend of \$3.00. EPS and dividends growth rates are estimated at 12% for the first three years and 5% thereafter. This stock is of average risk. The risk free rate is currently 4% and the expected return on the S&P 500 is 10%. What is the intrinsic value of this stock?
2. The growth in earnings and dividends dividends per share of Wolowitz Fashions is expected to be 10% per year for the next two years, followed by a growth rate of 5% per year for three years; after this five year period, the growth in per share dividends is expected to be 2% per year, indefinitely. The required rate of return on Wolowitz is 12%. Last year's per share dividend was \$2.00. What should the stock sell for today?