

Stock & Dividends

Directions:

Answer the following questions.

1. Define par value.
2. Paige purchased 200 shares of stock at \$.50 par value. How much money did Paige spend?
3. Complete the *Conversion Ratio* for Convertible Bonds scenario.
\$1,000 Convertible Bonds @ \$40 per share
4. Define dividends.
5. Use the stability dividend policy to calculate the dividend in the following scenario. Barb's Burgers earned \$1,000,000 for the year (with quarterly earnings of \$300,000, \$200,000, \$100,000 and \$400,000). Barb's uses the stability policy and pays 5% of yearly earnings. How much does Barb's Burgers pay quarterly?
6. Explain a "Dividend Reinvestment Plan".
7. Explain the effect of a firm's dividend decisions on external financing requirements.