

Answer on Question # 53060 – Economics / Finance

An investor is considering the purchase of a share of a company. The stock will pay a \$3 dividend a year from today. This dividend is expected to grow at 10 % per year for the unforeseeable future. The investor thinks that the required return on the value of this stock is 15%. Given this assessment calculate the value of a share of the company's stock.

<b>Index</b>	<b>Formula</b>	<b>Value</b>
Next dividend	D	\$3,00
Growth rate	G	10%
Required return	k	15%
Stock price	$D/(k-G)$	\$60,00