Finance 450 - Fall 2003 - Ch. 15 Sample Questions

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

1. What is the implied growth duration of Howard Industries given the following:

   \[ \begin{array}{ll}
   & S&P 400 & Howard Industries \\
   P/E Ratios & 14 & 19 \\
   Average Growth (%) & 6.0 & 12.0 \\
   Dividend Yield & .07 & .04 \\
   \end{array} \]

   a. 1.5 years
   b. 6.8 years
   c. 2.6 years
   d. 9.4 years
   e. 11.6 years

Exhibit 15-2
Modular Industries currently has a 16% annual growth rate while the market average is 6 percent. The market multiple is 10.

2. Refer to Exhibit 15-2. Determine the justified P/E ratio for Modular Industries assuming Modular can maintain its superior growth rate for the next 5 years.

   a. 6.4
   b. 13.1
   c. 16.5
   d. 23.8
   e. 15.7
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Answer Section

MULTIPLE CHOICE

1. ANS:  E
2. ANS:  E