## 17 Lecture - MGT201

## Important Mcqs

1. The common stock pricing and dividend growth model is used to estimate the fair value of a stock based on:
a) Its historical dividend payments
b) Its expected future dividend payments
c) Its stock price at a given point in time
d) Its industry average $P / E$ ratio

Answer: b) Its expected future dividend payments
2. According to the dividend growth model, the value of a stock is equal to:
a) Its current stock price
b) The sum of its historical dividend payments
c) The sum of its expected future dividend payments
d) Its book value

Answer: c) The sum of its expected future dividend payments
3. The discount rate used in the dividend growth model is typically:
a) The risk-free rate of return
b) The company's cost of equity
c) The industry average P/E ratio
d) The company's debt-to-equity ratio

Answer: b) The company's cost of equity
4. If a company's dividend growth rate is expected to be 5\% per year and its current annual dividend is $\$ 2$ per share, what is the expected dividend per share in 5 years?
a) $\$ 2.63$
b) $\$ 2.78$
c) $\$ 3.10$
d) $\$ 3.24$

Answer: c) \$3.10
5. The dividend growth model assumes that the company's dividend growth rate will:
a) Increase over time
b) Remain constant over time
c) Decrease over time
d) Fluctuate randomly over time

Answer: b) Remain constant over time
6. The dividend growth model can be used to estimate the fair value of:
a) Growth stocks
b) Value stocks
c) Income stocks
d) All of the above

Answer: c) Income stocks
7. If a company has a current stock price of $\$ 50$ and an expected annual dividend of $\$ 2$ per share, what is the expected dividend yield?
a) $2 \%$
b) $4 \%$
c) $5 \%$
d) $10 \%$

Answer: b) 4\%
8. The dividend growth model assumes that investors require a higher return on their investment as:
a) The dividend growth rate increases
b) The dividend growth rate decreases
c) The discount rate increases
d) The discount rate decreases

Answer: c) The discount rate increases
9. If a company's cost of equity is $10 \%$ and its expected dividend growth rate is $5 \%$, what is the expected dividend yield?
a) $5 \%$
b) $10 \%$
c) $15 \%$
d) $20 \%$

Answer: a) 5\%
10. The dividend growth model assumes that a company's future dividend payments are:
a) Guaranteed to occur
b) Not guaranteed to occur
c) Guaranteed to increase over time
d) Not guaranteed to increase over time

Answer: b) Not guaranteed to occur

