

1. Gentech staged its IPO in February 2012 when it had a total enterprise value of \$560 million. It created 20 million shares and sold 45% of them to the public. In March, the company announced favorable testing for a prospective new pharmaceutical drug. By March 31st, the share price had increased by 20% from the IPO date. On May 20th, the stock completed a 3-1 split when the pre-split share price was \$36.12. As of June 30th, the price increased 10% from the post-split share price.



- a) Determine the share price at the IPO.
- b) Describe the number of shares and share price both before the split and after.
- c) Determine the share price as of June 30th.
- d) If Quentin bought 1400 shares at the IPO and sold them on June 30th, determine his profit or loss on his position. Ignore broker fees.
2. Bella's investment goals include a 6% gain on her long position on Intel stock.
- a. What does "long position" mean?
- b. She pays a \$10 fee per transaction. If she bought 100 shares at a price of \$58 per share, can she close her position at a market price of \$61.48 and achieve her goal? Use mathematical evidence to support your answer.
3. Miles purchased 4000 shares of Expedia stock (EXPE) at \$105 per share using a 20% margin account. Later, he closed the position at \$120 per share. Assume his broker's fees are 2.5% per transaction on a margin account.
- a. Determine EXPE's % change over that time period.
- b. Determine Miles' % return on his EXPE position. How much better did he do than the market rate of return?

4. Use the graph to the right to explain the concepts of support and resistance you learned about from the homework videos. (You should edit/annotate the diagram.) Include what you learned about when might be a good time to buy and a good time to sell.



What does this icon mean?

5. Give two reasons a broker might be bullish on a stock.
6. Klajdi has heard rumors of widespread meth use by players on the Green Bay Packers football team. As a result, he decides to short 6,000 shares of Packers stock in February when the market price was \$72.50 per share. He used e*Trade and paid \$9 per transaction.
- a) The reports were true! By late November, the team is having a terrible season. (Drugs are bad.) He closes his position on Dec. 1st when the stock is at \$60.25. Determine his total profit.
- b) The rumors were false! By December the team is having an excellent season. (Drugs are still bad.) He closes the position even though the share price has risen to \$81.50 because he thinks it's going to go up more. Determine his total loss.

7. Kaitlyn's investment goals include a 9% gain on her short position in Samsung stock. If she sold 1000 shares at a price of \$82.00 per share, at what price does she have to close her position to achieve her goals? Ignore any fees.

8. Determine the # of shares outstanding of EXPE as of this quote. Show your work.

Expedia Inc. (EXPE) - NasdaqGS

108.08 ↑2.39(2.26%) 1:01PM EST - Nasdaq Real Time Price

9. What was the effect of after-hours trading on EXPE as of this quote?

Prev Close:	105.69	Day's Range:	107.18 - 111.44
Open:	108.50	52wk Range:	88.40 - 140.51
Bid:	107.18 x 100	Volume:	2,450,727
Ask:	107.29 x 100	Avg Vol (3m):	2,931,570
1y Target Est:	131.46	Market Cap:	16.27B
Beta:	1.20684	P/E (ttm):	18.96
Next Earnings Date:	28-Apr-16 📅	EPS (ttm):	5.70

10. Rebecca has \$20,000 to invest using a 40% margin account. She buys stock in American Express at a price of \$58 per share in late June 2012. A \$0.45 dividend was paid each quarter, (for her, starting with the 3rd quarter of 2012). In December 2013, after the dividend date, she sells the stock when the price is \$65.80 per share. Her broker's fee for transactions using margin is 2%. Determine her total profit from her American Express position.

11. Shares of stock in Proctor and Gamble traded at \$48.65 on July 15th of 2013. On July 15th one year later, the shares were trading at \$45.10 when the corporation's market capitalization was \$14.6 billion. On that date, P&G engaged in a share buy-back plan to repurchase 18 million shares at a 4% premium.

- a) Daphne has held 6,500 shares of common stock from 2011 until the events described above. What was her unrealized gain/(loss) from July 15th 2013 to July 15th 2014?
- b) How many total P&G shares outstanding were there as of July 2014?
- c) What would analysts expect will happen to the price of P&G stock after the buy-back? Why?
- d) Assume Daphne agrees to the re-purchase plan. At what share price will she sell back her P&G stock?
- e) Daphne bought the stock at a market price of \$42 back in 2011. Determine her total profit from this position if she went through with the repurchase. Her broker takes a fee of 0.4% of all transactions. There were no dividends.
- f) Assume the buy-back goes as planned. After the repurchase, how many shares outstanding still existed?
- g) How much did the company spend to buy back its own stock?

12. How does the price of a stock increase? What makes it increase?