

CFA® SAMPLE QUESTION - LEVEL I Corporate Finance

Q: The cost of preferred stock is equal to:

CORRECT ANSWER:

C the preferred stock dividend divided by its market price.

Cost of preferred stock = kps = Dps/ P

It is not related to its par value.

Also for preferred stock, it won't have any tax shield benefit as common bonds (i.e. the 1-tax rate) factor.



EASY

INTERMEDIATE

HARD

CFA Society Hong Kong Candidate Services



146

Mr. Zap Cheng, CFA
Candidate Services
Committee



Disclaimer: This material is produced by a voluntary study group leader. CFA Society Hong Kong makes no representations about the accuracy, reliability, completeness, or timeliness of this material. Use this material at your own risk.