

CFA® SAMPLE QUESTION – LEVEL I

Equity Investments

Q: Stock ABC paid a dividend of \$0.5 per share last year from an EPS of \$0.90 per share. The firm's earnings and dividend are expected to growth at 7% per year constantly.

Shareholders of ABC require a return of 14% on their investment. As a result, the justified trailing and leading P/E multiples are closet to:

	<u>Trailing P/E</u>	<u>Leading P/E</u>
(a)	7.94	7.94
(b)	7.94	14.29
(c)	8.49	7.94
(d)	8.49	14.29



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