

CFA® SAMPLE QUESTION – LEVEL I

Equity Investments

Q: Stock XYZ has the following characteristics:

| | |
|------------------------------------|------------------|
| Current dividend | \$2.50 per share |
| Expected dividend in 1 year | \$3.00 per share |
| Long-term growth rate of dividends | 10% |
| Required rate of return | 13% |

Using the infinite period Dividend Discount Model, what is the maximum price that you would pay for Stock XYZ in an efficient market?

- (a)** 83.33
- (b)** \$100.00
- (c)** 120.00
- (d)** 30.00



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