

Activity Sheet 2: Calculating Dividends

For each of the following situations, determine the dividends earned by the investor.

<p>SITUATION 1 Company A has 4 investors. Investor 1 has 100 shares, Investor 2 has 150 shares, Investor 3 has 500 shares, and Investor 4 has 625.</p> <p>Company A had a good quarter and decides to pay a one-time dividend of \$3 per share. Calculate the amount of dividend that will be paid to each investor.</p>	<p>SITUATION 2 Company B has 2 investors. Investor 1 has 1000 shares and Investor 2 has 1500 shares.</p> <p>Company B had a good year and decides to pay a \$1.50 annual dividend for each share owned. Calculate the amount of dividends the company will pay to each investor by the end of the year.</p>
<p>SITUATION 3 Company C is a new company. Even though Company C had a good quarter, it decides not to pay a dividend. What can the company do with the extra earnings?</p>	<p>SITUATION 4 Company D has 4 investors. Investor 1 has 200 shares, Investor 2 has 350 shares, Investor 3 has 725 shares, and Investor 4 has 975.</p> <p>Company D had a good quarter and decides not to pay a dividend. Investor 1 decides to sell all shares owned in the company. The investor bought 200 shares for \$10/share and the stock is now trading at \$25/share. Calculate the net profit/loss for the investor.</p> <p>Remember the 2% commission fee for all buy and sell transaction.</p>
<p>SITUATION 5 Company E has 4 investors. Investor 1 has 200 shares, Investor 2 has 350 shares, Investor 3 has 725 shares, and Investor 4 has 975.</p> <p>Company E had a bad quarter and decides not to pay a dividend. Investor 3 decides to sell all shares owned. The investor bought 200 shares for \$10/share, 300 shares for \$25/share, and 225 shares for \$50/share. The stock is now trading at \$25/share. What profit, if any, did the investor make?</p> <p>Remember there is a 2% commission on all buy and sell transactions</p>	<p>SITUATION 6 The investor in Situation 5 also received a \$10 per share one-time dividend when the investor held 500 shares. How does that affect the net profit/loss of the investor?</p>

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SITUATION 1:

Multiply the number of shares held by the dividend amount.

Investor 1: \$300

Investor 2: \$450

Investor 3: \$1,500

Investor 4: \$1,875

SITUATION 2:

Multiply the number of shares held by the dividend amount.

Investor 1: \$1,500

Investor 2: \$2,250

SITUATION 3:

Example answer: They can decide to put the money back into the company.

SITUATION 4:

Profit is the amount the investor made (minus commission) after he/she has sold the stock. The investor spent \$2040 on his/her shares (200 x \$10 + 2% commission). The current price per share is \$25. The sale of 200 shares would earn \$4900 (\$5000 – 2% commission). The net profit would be \$2860 (4900 – 2040).

SITUATION 5:

The key phrase here is “profit,” the amount the investor made (minus commission) after he/she has sold the stock. First calculate the cost of the stock.

Shares/Price per share	Cost (\$)	2% Commission (\$)	Total Cost (\$)
200 at \$10 per share	2000	40	2040
300 at \$25 per share	7500	150	7650
225 at \$50	11250	225	11475

Then subtract the Total Cost of the shares from the Total Current Value (\$25 per share minus commission).

$$(5000 - 100) - 2040 = 2860$$

$$(7500 - 150) - 7650 = -300 \text{ (loss)}$$

$$(5625 - 112.50) - 11475 = -5962.50 \text{ (loss)}$$

Investor 3 has no profit on Company E stock. He/She had a \$3402.50 loss.

SITUATION 6:

With the dividend payment of \$10 per share on 500 shares, Investor 3 has a profit of \$1597.50.