



SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore – 641 107

AN AUTONOMOUS INSTITUTION

Accredited by NAAC – UGC with 'A' Grade
Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai



DEPARTMENT OF MANAGEMENT STUDIES

23BAT307 – Security Analysis and Portfolio Analysis

PUZZLE

The Stock Valuation Puzzle

Problem: An investor is evaluating a stock that is expected to pay a dividend of \$2 per share next year. The dividend is expected to grow at a constant rate of 5% per year indefinitely. The required rate of return for the stock is 10%.

Question: What is the intrinsic value of the stock using the Gordon Growth Model?