

Answer Key

Part II - For the following scenarios: Assume all investors are in a similar tax bracket and will pay the same marginal tax rates for capital gains.

	Short-Term	Long-Term
Federal	29%	17%
State	6.65%	6.65%

1) Bob purchases 25 shares of Microsoft Corporation at \$336 per share. Bob's online broker charges a commission of \$0 for this total trade.

a. Find Bob's total cost basis

$$336 \times 25 = \$8400 + 0 = \$8400$$

b. Find Bob's cost basis per share

$$\$8400 \div 25 = \$336$$

c. 3 years later, Bob sells the 25 shares of Microsoft for \$373 per share

i. Find Bob's profit per share

$$373 - 336 = \$37$$

ii. Find Bob's Total Profit

$$\$37 \times 25 = \$925$$

iii. Find Bob's Capital Gain Tax Responsibility for both Federal and State

<p>Long-Term</p> <p>iv. Find Bob's Net Profit</p> $925 - 218.76 = \$706.24$	<p>Federal</p> $925 \times .17 = \$157.25$	<p>State</p> $925 \times .0665 = \$61.51$	<p>Total Taxes</p> $\$218.76$
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2) Erica purchases 1000 shares of Ford at \$19 per share. Erica uses a full-service broker that charges a commission of \$200 for this total trade.

a. Find Erica's total cost basis

$$1000 \times 19 = 19,000 + 200 = \$19,200$$

b. Find Erica's cost basis per share

$$\$19200 \div 1000 = \$19.20$$

c. 2 weeks later, Erica sells her ONLY 400 of her Ford Shares for \$23 per share

i. Find Erica's profit per share

$$23 - 19.20 = \$3.80$$

ii. Find Erica's total profit

$$\$3.80 \times 400 = \$1520$$

iii. Find Erica's Capital Gain Tax Responsibility for both Federal and State

<p>Short-Term!</p> <p>iv. Find Erica's net profit</p> $1520 - 541.88 = \$978.12$	<p>Federal:</p> $1520 \times .29 = \$440.80$	<p>State:</p> $1520 \times .0665 = \$101.08$	<p>Total Taxes</p> $\$541.88$
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Net Profit?

Answer Key

Part III – Use a finance app to answer the following:

1. **Bank Of America** - Stock Symbol BAC

What is the current price? 47 _____	47.35
What was yesterday's closing price?	46.97
What is the highest this stock has been in the past year?	48.69
What is the lowest this stock has been in the past year?	26.30
What is the P/E ratio of this stock?	14.18
What is the Earnings per Share of this stock?	3.34
What is the average amount of shares of this stock that are traded on any given day?	≈ 45 million

2. **Pepsi** - Stock Symbol PEP

What is the current price? _____	161.73
What was yesterday's closing price?	166
What is the highest this stock has been in the past year?	166.43
What is the lowest this stock has been in the past year?	128.32
What is the P/E ratio of this stock?	27.56
What is the Earnings per Share of this stock?	5.87
What is the average amount of shares of this stock that are traded on any given day?	≈ 3.7 million