

**ADDITIONAL PROBLEMS FOR CHAPTER 14**

- 14-13** Petersen Company has a capital budget of \$1.2 million. The company wants to maintain a target capital structure that is 60 percent debt and 40 percent equity. The company forecasts that its net income this year will be \$600,000. If the company follows a residual dividend policy, what will be its payout ratio?
- 14-14** The Wei Corporation expects next year's net income to be \$15 million. The firm's debt ratio is currently 40 percent. Wei has \$12 million of profitable investment opportunities, and it wishes to maintain its existing debt ratio. According to the residual dividend model, how large should Wei's dividend payout ratio be next year? Assume the firm uses only debt and common equity in its capital structure.

