

Activity 1

THE BUILDING BLOCKS OF STOCKS

PART 3: DIVIDENDS

You and your friends have decided that you want to make continuous income on your investment and split the profits. Over time you have developed a list of 15 clients who pay you \$40 per week to mow their lawns. After expenses, the profits equal \$32 per lawn. You decide to reinvest half of the profits back into expanding the business through marketing, purchasing additional equipment, and training staff. The remaining \$16 per lawn you will distribute to the company owners at the end of each week as a stock dividend.



Update this shareholders chart with shares per person and percentages of ownership as they were at the end of Part 2. Then use the chart and a calculator to answer the questions below.

Shareholder	Shares per Person	Percentage of Ownership	Weekly Dividend for 15 lawns at \$16 per lawn	Weekly Dividend for 15 lawns at \$10 per lawn	Weekly Dividend for 20 lawns at \$10 per lawn
You		%	\$	\$	\$
Friend 1		%	\$	\$	\$
Friend 2		%	\$	\$	\$
Friend 4		%	\$	\$	\$
Friend 5		%	\$	\$	\$
Total		%	\$	\$	\$

1. What is the total amount of dividends distributed each week at \$16 per lawn for 15 lawns?
\$ _____
2. Use a calculator to fill in the weekly dividend each shareholder receives in this scenario.
3. Now suppose that profits have decreased to \$25 per lawn and you decide to reinvest 60% of your profits (\$15 per lawn) back into business expansion. What is the total amount of dividends distributed each week in this scenario?
\$ _____
4. Use a calculator to fill in the new weekly dividend each shareholder receives in this scenario.
5. Finally, suppose that the number of clients increases to 20 while profits remain at \$25 per lawn and you still put 60% of your profits back into business expansion. What is the total amount of dividends distributed each week in this scenario?
\$ _____
6. Use a calculator to fill in the new weekly dividend each shareholder receives in this final scenario.