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**A classroom note on stock dividend rates.**

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Many companies whose stocks are traded on national exchanges pay dividends to stockholders. The yield is the dividends paid during the past year (four quarters) divided by the current price per share. However, dividends are usually paid quarterly, and many stockholders participate in Dividend Reinvestment Plans in which the quarterly dividends are not paid in cash but are used to purchase additional shares. As with compound interest, this paper shows that the usual stock yield measure is inappropriate for investors participating in a Dividend Reinvestment Plan. (orig.)

*Classification:* M34