# Module: Risk and Return and Stock Valuation

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### Topics

This module includes the following five topics:

Topic 1: Diversification

Topic 2: Beta and CAPM

Topic 3: Stock Valuation

Topic 4: Raising Equity Capital

Topic 5: Efficient Capital Markets

## Topic 1: Diversification

This topic demonstrates the power of diversification and how it is used to minimize risk for a given rate of return.

### Readings

Introduction, Section 1.1

### **Learning Problems**

Diversification at Agnew with Assets A and B

Diversification at Agnew with Assets A and C

**Answer Keys**

Diversification at Agnew with Assets A and B

Diversification at Agnew with Assets A and C

## Topic 2: Beta and CAPM

This topic explores how beta and CAPM are used to calculate the required rate of return on a firm’s equity.

### Readings

Section 1.2

#### **Learning Problems**

Calculating Beta at Potter

Calculating Beta at Cascade

Calculating Beta at Jamieson

Holding Returns

**Answer Keys**

Calculating Beta at Potter

Calculating Beta at Cascade

Calculating Beta at Jamieson

Holding Returns

## Topic 3: Stock Valuation

This topic indicates how to value a share using the income or market multiple approaches.

### Readings

### Sections 1.3

#### **Learning Problems**

Valuing Common Shares at Lance

Valuing Common Shares at Jackson

Valuing Common Shares at Alexa

Valuing Common Shares at McEwan

Valuing Common Shares at Spider

Valuing Preferred Shares at Roanoke

Valuing Common Shares at Klondike

Valuing Common Shares at Samantha

Valuing Common Shares at Rideau

Valuing Common Shares at Hi-Tech

**Answer Keys**

Valuing Common Shares at Lance

Valuing Common Shares at Jackson

Valuing Common Shares at Alexa

Valuing Common Shares at McEwan

Valuing Common Shares at Spider

Valuing Preferred Shares at Roanoke

Valuing Common Shares at Klondike

Valuing Common Shares at Samantha

Valuing Common Shares at Rideau

Valuing Common Shares at Hi-Tech

## Topic 4: Raising Equity Capital

This topic explores how firms raise capital in the private or public equity markets.

### Readings

### Section 1.4

#### **Learning Problems**

Market-Weighted Stock Indexes

**Answer Keys**

Market-Weighted Stock Indexes

## Topic 5: Efficient Capital Markets

This topic examines the strong, semi-strong, and weak forms of market efficiency as it relates to securities pricing.

### Readings

Section 1.5

### Learning Problems

None

## Module Summary

In this module, you learned how to value a share and raise funds in the equity markets.