

1. Which type of stock could help you obtain your investment and financial goals? Justify your choice?

Blue-chip stock because it has a good financial histories, solid dividend and solid growth. Low risk due to stock issued by large company.

2. Explain the relationship between earnings and a stock's market value.

Relationship between earning and stock's market value is positive due to demand of earning. If investor want earn more that will effect to stock's market value also increase.

3. What is the difference between the primary market and the secondary market?

The difference between the primary market and the secondary market is that in the primary market is place where investors buy securities directly from the company issuing them, while in the secondary market is a place that investors trade securities among themselves.

4. Calculating Total Return. Tammy Jackson purchased 100 shares of All-American Manufacturing Company stock at \$31.50 a share. One year later, she sold the stock for \$38 a share. She paid her broker a \$28 commission when she purchased the stock and a \$42 commission when she sold it. During the 12 months that she owned the stock, she received \$160 in dividends. Calculate Ms. Jackson's total return on this investment.

Total purchasing the stock = $100(\$31.5) + \$28 = \$3,178$

Total received from sell stock and dividend = $100(\$38) + 160 - 42 + \$3,918$

Total return on this investment = $\$3,918 - \$3,178 = \$740$