

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

Ans: Blue-chip stocks since it has the best properties. Great financial histories, solid dividend and solid growth. It provides good return, maybe lower than speculative stocks but it has much lower risk, so it will prevail especially for holding it for long term. Additionally, it is better for mental health.

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

Ans: Earnings and stock's market value has a positive relationship. If investors expect that earnings from company A will go up, demand for company A will increase.

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

The primary market is the place where the selected groups of people buy securities from the issuers. Secondary market is the market for trading activities between investors and investors not the issuers.

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.

Ans: Total cash paid for purchasing the stock = $100(31.5) + 28 = \$3,178$

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

Total Return for the transaction = $3918 - 3178 = \$740$