

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

As earnings increase beyond what investors expected, it means company are doing well so investors will more willing to pay for the stock and the price will increase.

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

Growth stock since it may generate more in the future. but I may buy the different stock with low risk to diversify portfolio.

3. What sources of information would you use to evaluate a stock issue?

settrade

annual report of the company

business news

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

Primary market is the market for newly traded while secondary market is for already issued securities. Also, price in the primary are fixed since it is newly issued while the price in secondary depends on supply and demand of that bond.

5. 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.

Buy $100 * \$31.50 = 3150$ plus commission \$28

Total that she pay buying is $3150 + 28 = 3178$

Sold for $\$38 * 100 = 3800$ minus commission of \$42

Total that she got equal to $3800 - 42 = 3758$

She also receive dividend of \$160

So, total return on the investment would be profit from stock sale + dividends = $(3758 - 3178) + 160 = \$740$