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FN 281
Individual Assignment 4

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

   A company's ability or inability to generate earnings can be one of the factors of an increase or decrease of stock's market value. In general, earnings and stock's market value have positive relationship. As the year passes, as earnings increase, stock's market value also increases. However, sometimes it does not happen that way. Sometimes when a company announces its increase in earnings and profit, the share price goes down due to the market's expectation, the market may expect higher profit than a company announces.

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

   For my intermediate goal, I want to attend a school abroad for my master degree and want to spend my own money on my education. Therefore, I need to play safe with my money. Blue chip stock could be the ones that help me obtain my financial goals because it is a safe investment.

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

   The Financial section of the Newspaper, the internet, stock advisory services and corporate news.

4. 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, investors buy securities directly from the company issuing them, while in the secondary market, investors trade securities among themselves, and the company with the security being traded does not participate in the transaction. In other words, primary market is for new stocks, while the secondary market is for stocks that have been sold before.

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 individuals. Calculate Ms. Jackson's total return on this investment.

   Current Return = $160

   Purchase Price = ($31.50 × 100 shares) + $28 = $3,178

   Selling Price = ($38 × 100 shares) - $42 = $3,758

   Capital gain = $3,758 - $3,178 = $580

   Total Return = $160 + $580 = $740.