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

ANS Earning is a company income within a year and stock market value is the value of the firm which investor value it. The relationship between a company's earnings and its stock price can be complicated. High profits don't necessarily mean a high stock price, and big losses don't always lead to a low stock price. Of course, without earnings it is hard for companies to stay in business for long. You could say that two of the major factors that influence stock price are current earnings and promise of future earnings.

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

ANS Blue chip: strong, stable and mature, with a long history of consecutive quarterly dividends; may also be a suitable investment for an investor with an income objective.

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

ANS financial statement, tends economic, news, financial instution

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

ANS primary market= the first place of buying and selling stock to investor which launch by OPI

Second market=unofficial and official trade which trade stock between investor and investor. It can be over the counter and by trade institution.

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.

ANS : Current Return = $160 in dividends

Purchase Price = $31.50 $\times$ 100 shares + $28 commission = $3,178

Selling Price = $38 $\times$ 100 shares - $42 commission = $3,758

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

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