

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

Before i'm going to invest in some stock , I will consider about the financial information, performance,nature of business and how is the market of that company i'm going to invest. As an risk averse, I might be invest in preferred stock by looking at the intrinsic value. The return of this stock which is dividend is guaranteed, fixed and will be paid every year so the price of preferred stock is not volatile and sustainable.

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

The relationship between both of them is when the stock's market value changes, we can earn profit or loss. If the company doesn't produce consistent earning growth, price will lower and investors will loss. So, before going to invest, it is better to carefully check the company's market value of stock and then you can earn profit from selling.

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

Primary market is when the company issues stocks or bonds to the public at the first time in capital market which either old or new stock owner can do it after doing public offering and bring that stock to the secondary market.

Secondary market is where the security are traded after the company sold the stocks and bonds in primary market. In secondary market, buyers can buy securities directly from issuer or from intermediary which is a broker.

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.

$$\text{Total cost} = \text{Purchased stock} + \text{commission} = (100 \times \$31.5) + \$28 = \$3,178$$

$$\begin{aligned} \text{Total gain} &= \text{Sold stock} - \text{commission} + \text{dividends} \\ &= (100 \times \$38) - \$42 + \$160 = \$3,918 \end{aligned}$$

$$\text{So, Total return is Total gain} - \text{Total cost} = \$3,918 - \$3,178 = \$740$$