

CHAPTER OVERVIEW

5: Stocks and Stock Valuation

Learning Objectives

After completing this chapter, students should be able to

- compare and contrast the application of the three-step valuation process to stocks relative to the application to bonds
- define preferred stock
- calculate the value of a stock based on the present value of dividends using the no-growth model, constant-growth model, and non-constant-growth model
- define the concept of market efficiency
- differentiate and identify situations which violate/support weak-form, strong-form, and semi-strong-form market efficiency
- explain the rationale and implications behind market efficiency
- define par value, book value and market value as these terms relate to common stock and identify the relative importance of each
- identify the rights and privileges associated with ownership of common stock
- discuss how the valuation of stock in practice is more complicated and imprecise than textbook models.

[5.1: Stock Valuation](#)

[5.2: Market Efficiency](#)

[5.3: Par Value vs. Book Value vs. Market Value](#)

[5.4: Rights and Privileges of Common Stockholders](#)

[5.5: Stock Valuation in a Non-Textbook World](#)

[5.6: Key Takeaways](#)

[5.7: Exercises](#)

[5.8: Problems](#)

[5.9: References and Attributions](#)

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