**DCF**

**PV OF EXPECTED FUTURE FREE CASH FLOWS**

**FCF ….1..2..3……(PROJECTED BS, IS, AND CFS)**

**DISCOUNTING FACTOR ==**

**PVFCF = FCF1/ (1+R)^1 + FCF2/(1+R)^2 + ………….**

**VALUE OF THE COMPANY**

**WACC = KE\*WE+KD\*WD**

**HISTORIC WACC**

**.15\*.80 + .10\*.20 =**

**CAPM = RF + BETA\*(RM-RF) = E(R)**

**PURE RISK – POSSIBILITY OF LOSS – INSURANCE**

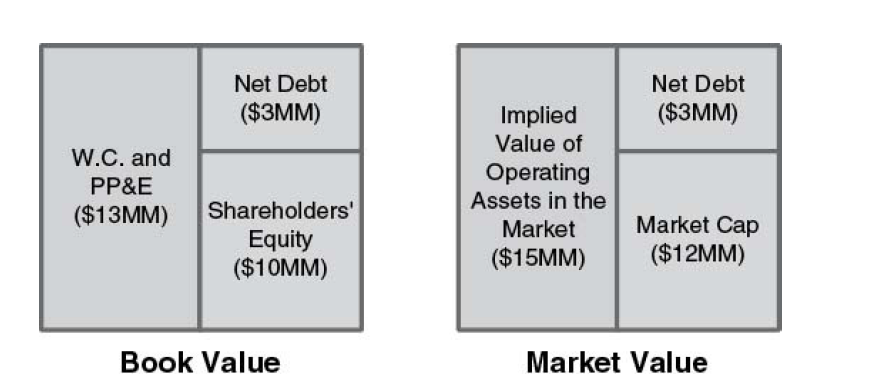
**MARKET RISK – POSSIBILITY OF PROFIT AS WELL AS LOSS –**

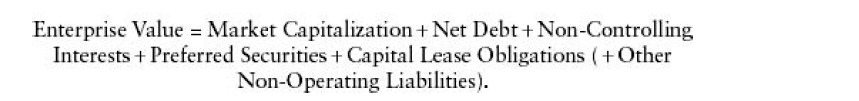
**MARKOWITZ –**

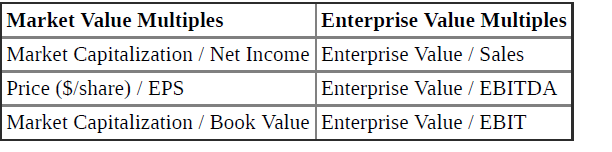
**TOTAL RISK – STD DEVIATION OF HISTORICAL PRICES**

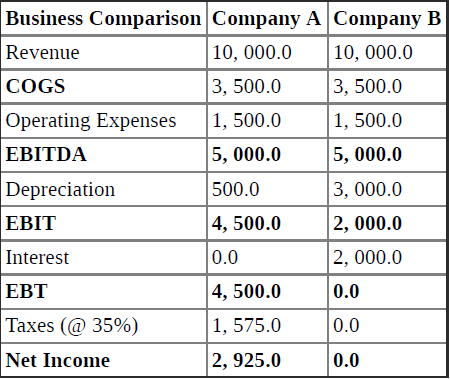
**SHARPE –**

**TOTAL RISK = DIVERSIFIABLE RISK + NON-DIVERSIFIABLE RISK**

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