**Module 2 - Background**

**STOCK AND BOND VALUATION**

**Required Reading**

Start off with these two tutorials that will give you an overview of the basic methods of valuing stocks and bonds from Subjectmoney:

Subjectmoney. (2013, January 2). *How to price/value bonds - formula, annual, semi-annual, market value, accrued interest* [Video file]. Retrieved from [*https://www.youtube.com/watch?v=7zCqoED8MVk*](https://www.youtube.com/watch?v=7zCqoED8MVk)

Subjectmoney. (2013, January 3). Dividend discount model (DDM) - constant growth dividend discount model - how to value stocks [Video file]. Retrieved from [*https://www.youtube.com/watch?v=n76Pz3HOBPo*](https://www.youtube.com/watch?v=n76Pz3HOBPo)

Now dig much deeper into bond and stock valuation with the following books chapters. They cover not only the computational methods but also provide a general overview of stock and bond markets:



Ross, S., Westerfield, R., & Jordan, B. (2007). Chapter 6: Interest rates and bond valuation. *Essentials of Corporate Finance.* McGraw Hill. Retrieved from [*http://novellaqalive2.mhhe.com/sites/dl/free/007000000x/484691/Part4\_Chap6.pdf*](http://novellaqalive2.mhhe.com/sites/dl/free/007000000x/484691/Part4_Chap6.pdf) [If this link is down, click [*Interest Rates and Bond Valuation*](http://highered.mheducation.com/sites/dl/free/0070916594/135004/RossCh07.pdf) for an alternative link.]



Gitman, L. (2005). Chapter 7: Stock valuation. *Principles of Managerial Finance*. Pearson Education. Retrieved from [*http://wps.aw.com/wps/media/objects/222/227412/ebook/ch07/chapter07.pdf*](http://wps.aw.com/wps/media/objects/222/227412/ebook/ch07/chapter07.pdf) [If the link is down, click [*Stock Valuation*](http://wps.aw.com/wps/media/objects/338/347080/ebook/ch07/chapter07.pdf) or [*Managerial Finance*](https://mbagroup12.files.wordpress.com/2012/03/gitman_12_prnc-mgt-fin13e_password_downloadslide_10.pdf) for an alternative link.]

Finally, for some examples of valuation calculations in Excel see the following videos:

Moy, M. (2014). Bond valuation in Excel. Retrieved from [*https://www.youtube.com/watch?v=H-\_NP0UxX\_U*](https://www.youtube.com/watch?v=H-_NP0UxX_U)

Girvin, M. (2010). Stock valuation with dividend growth model. ExcellsFun. Retrieved from  [*https://www.youtube.com/watch?v=cbRIhwkGAnQ*](https://www.youtube.com/watch?v=cbRIhwkGAnQ)

Girvin, M. (2010). Stock value based on present value of future dividend cash flows. ExcellsFun. Retrieved from [*https://www.youtube.com/watch?v=G2VIY5E3I3s&t=163s*](https://www.youtube.com/watch?v=G2VIY5E3I3s&t=163s)

**Optional Reading**

Davis, A. (2016). Bond pricing. Retrieved from [*https://www.youtube.com/watch?v=-DnARyndirI*](https://www.youtube.com/watch?v=-DnARyndirI)

Ahmad, A. (n.d.). Bonds part II: Pricing. Coursera. Retrieved from [*https://www.coursera.org/learn/finance-markets/lecture/EpByC/bonds-part-ii-pricing*](https://www.coursera.org/learn/finance-markets/lecture/EpByC/bonds-part-ii-pricing)

Ozoguz, A. (n.d.) Basics of equity valuation. Coursera. Retrieved from [*https://www.coursera.org/learn/global-financial-markets-instruments/lecture/vHPRN/basics-of-equity-valuation*](https://www.coursera.org/learn/global-financial-markets-instruments/lecture/vHPRN/basics-of-equity-valuation)

Gitman, L. (2005). Chapter 6: Interest rates and bond valuation. *Principles of Managerial Finance*. Pearson Education. Retrieved from [*http://wps.aw.com/wps/media/objects/222/227412/ebook/ch06/chapter06.pdf*](http://wps.aw.com/wps/media/objects/222/227412/ebook/ch06/chapter06.pdf) [If the link is down click [*Interest Rates and Bond Valuation*](http://wps.aw.com/wps/media/objects/338/347080/ebook/ch06/chapter06.pdf) or [*Managerial Finance*](https://mbagroup12.files.wordpress.com/2012/03/gitman_12_prnc-mgt-fin13e_password_downloadslide_10.pdf) for an alternative link. For a video PowerPoint version of this chapter, click [*Interest Rates and Bond Valuation*](https://www.youtube.com/watch?v=77_CM5LI7ic)]

Ross, S., Westerfield, R., & Jordan, B. (2007) Chapter 7: Equity markets and stock valuation. *Essentials of Corporate Finance.* McGraw Hill. Retrieved from [*novellaqalive2.mhhe.com/sites/dl/free/007000000x/484691/Chap7\_EquityMkts.pdf*](http://novellaqalive2.mhhe.com/sites/dl/free/007000000x/484691/Chap7_EquityMkts.pdf)