**Module 1 - Background**

**PRESENT VALUE AND THE RISK/RETURN TRADE-OFF**

To begin the module, start off with these two videos to give yourself an overview of the main concepts covered in this module. The first video is from Professor Holthausen of the Wharton School of Business at the University of Pennsylvania. He explains the concept of the time value of money and also goes through some calculations using Microsoft Excel. The second video is from Professor Pinder of the University of Melbourne and covers some basic concepts of risk and return.

Holthausen, R. (2015). Time value of money. Coursera. Retrieved from: [*https://www.coursera.org/learn/wharton-decision-making-scenarios/lecture/ZE2tE/1-2-time-value-of-money*](https://www.coursera.org/learn/wharton-decision-making-scenarios/lecture/ZE2tE/1-2-time-value-of-money)



Pinder, S. (2017) Unsystematic versus systematic risk. Coursera. Retrieved from: [*https://www.coursera.org/learn/valuation/lecture/LLtZP/2-1-unsystematic-versus-systematic-risk-getting-rid-of-unrewarded-risk*](https://www.coursera.org/learn/valuation/lecture/LLtZP/2-1-unsystematic-versus-systematic-risk-getting-rid-of-unrewarded-risk)

A second video from Dr. Pinder on the capital asset pricing model is highly recommended but not required. A link to Dr. Pinder’s video is included under the optional reading list below.

Once you have finished viewing the videos, take a closer look at the concepts covered in the videos by reading through these book chapters. In addition to reading about the basic concepts, make sure to work through some of the numerical examples as these will help you with your assignments:



Gitman, L. (2005). Chapter 4: Time value of money. *Principles of Managerial Finance*. Pearson Education. Retrieved from: [*http://wps.aw.com/wps/media/objects/222/227412/ebook/ch04/chapter04.pdf*](http://wps.aw.com/wps/media/objects/222/227412/ebook/ch04/chapter04.pdf) [If the link is down click [*Important Financial Concepts*](http://wps.aw.com/wps/media/objects/338/347080/ebook/ch04/chapter04.pdf) or [*Important Financial Concepts*](http://xa.yimg.com/kq/groups/24615623/2038659927/name/chapter04.pdf) for an alternative link.]



Gitman, L. (2005). Chapter 5: Risk and return. *Principles of Managerial Finance*. Pearson Education. Retrieved from: [*http://wps.aw.com/wps/media/objects/222/227412/ebook/ch05/chapter05.pdf*](http://wps.aw.com/wps/media/objects/222/227412/ebook/ch05/chapter05.pdf) [If the link is down click [*Risk and Return*](http://wps.aw.com/wps/media/objects/338/347080/ebook/ch05/chapter05.pdf) or [*Risk and Return*](http://xa.yimg.com/kq/groups/24615623/707746411/name/chapter05.pdf) for an alternative link.]

If you have any difficulty with the material above, it is highly recommended that you take a look at some of the optional readings below. The materials below cover the same material but sometimes concepts can be absorbed better if you see some explained in a different manner or see additional examples.

Finally, if you don’t have much experience with Microsoft Excel then please take a look at the following videos:

Davis, J. (2013). Present value of a single amount in Excel. Retrieved from: [*https://www.youtube.com/watch?v=ruIfnNoe1Co&t=85s*](https://www.youtube.com/watch?v=ruIfnNoe1Co&t=85s)

Moy, R. (2014). Present value of multiple cash flows in Excel. Retrieved from: [*https://www.youtube.com/watch?v=kDOIuJbHpLc*](https://www.youtube.com/watch?v=kDOIuJbHpLc)

Codible. (2012). Future value for a series of annual deposits. Retrieved from: [*https://www.youtube.com/watch?v=EcfmEVVHDsw*](https://www.youtube.com/watch?v=EcfmEVVHDsw)

**Optional Reading**

Pinder, S. (2017). Capital asset pricing model (It’s all about the discount rate). Coursera. Retrieved from: [*https://www.coursera.org/learn/valuation/lecture/6Oh5F/2-2-capital-asset-pricing-model-its-all-about-the-discount-rate*](https://www.coursera.org/learn/valuation/lecture/6Oh5F/2-2-capital-asset-pricing-model-its-all-about-the-discount-rate)

Clifford, J. (2014). Time value of money. ACDC Leadership. Retrieved from: [*https://www.youtube.com/watch?v=nfkqCv3Rd\_g*](https://www.youtube.com/watch?v=nfkqCv3Rd_g)

Ross, S., Westerfield, R., & Jordan, B. (2007) Chapter 4: Introduction to valuation: The time value of money. *Essentials of Corporate Finance.* McGraw Hill. Retrieved from: [*http://novellaqalive2.mheducation.com/sites/dl/free/007000000x/484691/Part3\_Chap4.pdf*](http://novellaqalive2.mheducation.com/sites/dl/free/007000000x/484691/Part3_Chap4.pdf)

Ross, S., Westerfield, R., & Jordan, B. (2007) Chapter 11: Risk and return. *Essentials of Corporate Finance.* McGraw Hill. Retrieved from: [*http://novellaqalive2.mheducation.com/sites/dl/free/007000000x/484691/Chap11\_RiskReturn.pdf*](http://novellaqalive2.mheducation.com/sites/dl/free/007000000x/484691/Chap11_RiskReturn.pdf)

Boundless. (n.d.). Chapter 5: Time value of money. *Boundless Finance*. Retrieved from: [*https://www.boundless.com/finance/textbooks/boundless-finance-textbook/the-time-value-of-money-5/*](https://www.boundless.com/finance/textbooks/boundless-finance-textbook/the-time-value-of-money-5/)

Boundless. (n.d.). Chapter 8: Introduction to risk and return. *Boundless Finance*. Retrieved from: [*https://www.boundless.com/finance/textbooks/boundless-finance-textbook/introduction-to-risk-and-return-8/*](https://www.boundless.com/finance/textbooks/boundless-finance-textbook/introduction-to-risk-and-return-8/)