LESSON 06

Lecture Topics

1. simple models of equity costs
2. calculating cost of equity capital
3. accounting rates of return
4. other ratio models
5. a couple of homework questions

Notes

1. Assignment:

look at the following questions:
chapter 7: 1 - 2

2. the basic dividends (Gordon type) model:

\[ P = \frac{dv_1}{k - g} \]

so the total return demanded is:

\[ k = \frac{dv_1}{P} + g \]

or does it ???