



**Institute of
Management Technology**
Centre for Distance Learning, Ghaziabad

**FINC002
Financial
Management**

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RISK AND RETURN

STRUCTURE

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Measures of Return
- 3.3 Historical rate of return
- 3.4 Expected rate of Return
- 3.5 Measuring Risk
- 3.6 Determinants of required Rate of return
- 3.7 Fundamental Sources of Risk
- 3.8 Systematic and Unsystematic Risk
- 3.9 Beta as a measure of systematic Risk
- 3.10 Relationship between Risk and return
- 3.11 Let us sum up
- 3.12 Key words
- 3.13 References and Suggested Additional Readings
- 3.14 Self-Assessment Questions
- 3.15 Check Your Progress-Possible Answers
- 3.16 Answers to Self-assessment Questions

3.0 OBJECTIVES

On completion of this unit, you should be able to:

- Understand how to calculate the historical and expected rate of return
- Understand how to measure risk related to historical and expected rate of return
- Understand the factors that contribute to the calculation of the required rate of return
- Understand various sources of risk
- Classify risk into systematic and unsystematic risk



17.02.2022

Dr. Meena Bhatia

Subject: Acknowledgement and Gratitude for your Academic Contribution

Dear Dr. Meena Bhatia,

It gives us immense pleasure to inform you that the final printed version of Self Learning Material (SLM) of Financial Management course is ready with us now. We are sending a copy of the same with this letter for your reference and record.

We acknowledge your contribution as a Course Writer and an esteemed member of our SLM Preparation Team. We certify your academic contribution for authoring the units for our SLM, as per the details given below:

Course Name	Course Code	ISBN Number	Unit Number	Unit Title
Financial Management	FINC002	978-81-951960-5-0	1	Financial Management: Basics
Financial Management	FINC002	978-81-951960-5-0	3	Risk and Return
Financial Management	FINC002	978-81-951960-5-0	4	Valuation of Securities

Your contributed units in our SLM would be referred by thousands of our students of PGDM and PGDM- Executive Programmes.

We express our sincere gratitude and wish for your continued support in our future academic endeavors.

Regards,

Prof. Bharti Singh
IMT CDL