

## Learning Objectives

### Chapter 27

#### **In this chapter you will:**

- Learn the relationship between present value and future value
- Consider the effects of compound growth
- Learn how risk-averse people reduce the risk they face
- Analyse how asset prices are determined

#### **You should be able to:**

- Choose between receiving €100 now or €120 two years from now, given an interest rate of 8 percent
- Explain why two people whose incomes grow at slightly different rates may end up with significantly different incomes after a number of years
- Explain the benefits of diversification
- Show why randomly choosing stocks may be as good as more sophisticated stock picking methods