

**TAX COMMISSIONERS
MUST BE PROTECTED
FROM POLITICAL
PRESSURE AND NOT
SEEKING PERSONAL
ADVANTAGE!**

**HOW TO
PROTECT
COMMISSIONERS:**

And Protect the State of Utah

**APPLE IS IN TALKS TO ACQUIRE BEATS ELECTRONIC LLC,
A MAKER OF HIGH-END HEADPHONES FOR \$3.2 BILLION...**
WSJ 5/9/14

**AFTER LAYING OUT THE CASE FOR GOING IT ALONE,
ASTRA-ZENECA PLC EXECUTIVIES HAVE HIT THE ROAD IN
EUROPE TO WIN OVER INVESTORS WHO COULD PLAY A BIG
ROLE IN DETERMINING WHETHER PFIZER INC.'s \$106
BILLION BID...GOES AHEAD.**
WSJ 5/9/14

**HOW DOES "WALL STREET" MAKE SUCH DECISIONS?
PROFESSIONAL COMPETANCE THAT GUIDE THE PROCESS**

PRICING CASH FLOWS

$$P_0 = CF_1/(1 + Y)^1 + CF_2/(1 + Y)^2 + CF_3/(1 + Y)^3 + \dots + CF_i/(1 + Y)^i$$

WILLING BUYER

WILLING SELLER TEST

**STRUCTURE OF FINANCIAL
MARKETS**

CAPITAL STRUCTURE OF FIRM

**ECONOMIC CONDITIONS FIRM/
COMPETITION FACING FIRM**

SYSTEMATIC RISK OF FIRM

COST OF EQUITY

COST OF DEBT

COST REGULATED FIRM

OBSOLESCENCE

GORDON GROWTH MODEL

$$\text{Value of Stock} = \text{DPS}_1 / (r - g)$$

Where:

DPS₁ = Expected Dividends one year from now

r = Required rate of return for equity investors

g = Annual Growth rate in dividends forever

CAPITAL ASSET PRICING MODEL

$$\text{Expected Return} = r_f + B(r_m - r_f)$$

Where:

r_f = Risk Free Rate

B = Beta (Systematic risk of the equity)

r_m = Return on the Market