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A NEW PERSPECTIVE ON VALUATING OF COMMON STOCKS

Abstract:

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The hypothesis of this paper states the value of a firm and value of a corresponding stock are tightly connected. So, the „right“value of a company directly leads to the „right” value of a related stock. The research topic is to find out i.e. to establish how and in what extent new appraisal approach Compounded Cash Flow method (CCF method) effects the value of a stock.

The CCF method is theoretically well founded, applicable in practice and it serves for valuating any business. By this method the company's value can be estimated (valuated) at the certain part of time and compared to the current stock price on the stock market, and the additional advantage of this method is risk elimination of misevaluating for the certain extend incomes is not very high.
The aim of this paper is to point out the importance of combining several appraisal methods in establishing the “right” value of a stock i.e. establishing if a stock currently is over or under valuated on the market.

It’s to be concluded that this paper approaches the stock evaluation as an ideal segment of a firm. The quality of firm’s business and its potentials are often strong indicators of the stock value in long term. Combined with the usual methods CCF method provides a more precise firm evaluation, i.e. more precise stock evaluation.

Keywords:

Keywords: stock value, firm value, Discounted Cash Flow, Compounded Cash Flow

JEL Classification: D04, G11, G12