Q2. The expected return on a stock calculated using the CAPM is often used as an estimate of the cost of equity in the dividend discount model of share valuation. However the CAPM method has been criticized in extant literature mainly on account of the frailties associated with the beta estimation process.

a) Do a literature survey and identify **two** alternative methods of share valuation that do not use the CAPM.

(5 marks)

b) Compare the strengths and weaknesses of your two identified methods in a) against those of the CAPM.

(5 marks)