**CORPORATE FINANCE**

**Learning Outcome 3: ACTIVITY 3**

## **Critical evaluation of CAPM**

#### As with all of the approaches and models that we have considered in Corporate Finance, the capital asset pricing model (CAPM) is founded on a number of assumptions.

#### Individually, and then in pairs

1. Identify the assumptions on which the CAPM is based.
2. Describe each of the assumptions that you identified in (1).
3. Critically evaluate the assumptions that you identified in (1).
4. Prepare a short presentation on your findings.