In a financial context, risk is a synonym for uncertainty – the possibility that the actual outcome will differ from the mean expected outcome. It is therefore a neutral rather than a negative concept. Investors are risk-averse in the sense that they require more return for taking on more risk. Risk itself is measured by the standard deviation of actual returns around the mean expectation. In the real world, investment risk is created by a number of different factors that affect the certainty of returns in different ways and to different extents. The financial markets, and in particular the stock market, play a crucial role in the control and diversification of risk. They provide a means whereby investors can get their money back by selling on their interests to other investors. This resolves a conflict of interest between firms (which want to keep the use of resources for as long as possible) and investors (who accept a lower return if they can see the opportunity for an early exit). Having established a fair return for a particular investment (in terms of time preference rate, allowance for inflation and risk premium), we can use this as a discount rate for establishing the present value of expected cash flows. If this exceeds the price demanded by the market, the investment offers a positive net present value and should be acquired. If the present value is less than the price demanded, the investment is relatively expensive and should be passed over. This rule of positive net present value is the dominant rule in financial decision-making.