Capital Asset Pricing Model = CAPM

@wikipedia

Specific model of Cost of Equity:
$K_E = R_f + \beta \cdot R_p$

where

R_f	risk-free bond (like for example U.S. Treasury Bond)
R_p	risk premium $R_p = R_m - R_f$, where R_m is historical average return of the stock market
β	sensitivity to the market risk for the security

See also

Business / Business Administration / Financial Management / Financial Accounting / Cost of Equity