1) You own a portfolio of two stocks, A and B. Stock A is valued at $84,650 and has an expected return of 10.6 percent. Stock B has an expected return of 6.4 percent. What is the expected return on the portfolio if the portfolio value is $97,500? 1) ______

A) 9.74 percent
B) 10.09 percent
C) 9.62 percent
D) 10.05 percent

2) Assume the economy has a 12 percent chance of booming, a 4 percent chance of being recessionary, and being normal the remainder of the time. A stock is expected to return 18.7 percent in a boom, 14.4 percent in a normal economy, and lose 12 percent in a recession. What is the expected rate of return on this stock? 2) ______

A) 8.78 percent
B) 13.86 percent
C) 11.48 percent
D) 9.97 percent

3) A stock has returns for five years of 14 percent, -16 percent, 12 percent, 23 percent, and 4 percent, respectively. The stock has an average return of ________ percent and a standard deviation of ________ percent. 3) ______

A) 7.04; 14.63
B) 7.40; 13.54
C) 7.40; 14.72
D) 8.60; 14.63

4) Bama Entertainment has common stock with a beta of 1.22. The market risk premium is 8.1 percent and the risk-free rate is 3.9 percent. What is the expected return on this stock? 4) ______

A) 14.13 percent
B) 12.40 percent
C) 13.78 percent
D) 12.67 percent

5) The stock of Wiley United has a beta of .98. The market risk premium is 7.6 percent and the risk-free rate is 3.9 percent. What is the expected return on this stock? 5) ______

A) 7.53 percent
B) 11.35 percent
C) 12.01 percent
D) 11.52 percent

1) D
2) B
3) C
4) C
5) B