

Chapter 01 - Appendix

Exhibit 1A.1

USE THE INFORMATION BELOW FOR THE FOLLOWING PROBLEM(S)

Your expectations from a one-year investment in Wang Computers is as follows:

Probability	Rate of Return
.15	-.10
.15	-.20
.35	.00
.25	.15
.10	.15

1. Refer to Exhibit 1A.1. The expected return from this investment is

- a. -0.0752.
- b. -0.0040.
- c. 0.00.
- d. 0.0075.
- e. 0.4545.

ANSWER: d

POINTS: 1

REFERENCES: 1.APP Computation of Variance and Standard Deviation

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

PREFACE NAME: Exhibit 1A.1

LEARNING OBJECTIVES: INVE.REIL.19.01.03 - How do investors measure the rate of return on an investment?

KEYWORDS: Bloom's: Apply

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2. Refer to Exhibit 1A.1. The standard deviation of your expected return from this investment is

- a. 0.001.
- b. 0.004.
- c. 0.124.
- d. 1.240.
- e. None of these are correct.

ANSWER: c

POINTS: 1

REFERENCES: 1.APP Computation of Variance and Standard Deviation

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: INVE.REIL.19.01.03 - How do investors measure the rate of return on an investment?

KEYWORDS: Bloom's: Apply

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3. Refer to Exhibit 1A.1. The coefficient of variation of this investment is

- a. -0.06.
- b. -0.65.
- c. 6.60.
- d. 16.53.
- e. 165.10.

ANSWER: d

POINTS: 1

REFERENCES: 1.APP Computation of Variance and Standard Deviation

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: INVE.REIL.19.01.03 - How do investors measure the rate of return on an investment?

KEYWORDS: Bloom's: Apply

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Exhibit 1A.2

USE THE INFORMATION BELOW FOR THE FOLLOWING PROBLEM(S)

You have an opportunity to invest in project X with the following expected rates of return:

Probability	Rate of Return
.25	-.10
.25	.00
.50	.10

4. Refer to Exhibit 1A.2. The expected return for project X is

- a. 0.0 percent.
- b. 0.5 percent.
- c. 2.5 percent.
- d. 5.0 percent.
- e. 7.5 percent.

ANSWER: c

POINTS: 1

REFERENCES: 1.APP Computation of Variance and Standard Deviation

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

PREFACE NAME: Exhibit 1A.2

LEARNING OBJECTIVES: INVE.REIL.19.01.03 - How do investors measure the rate of return on an investment?

KEYWORDS: Bloom's: Apply

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5. Refer to Exhibit 1A.2. The standard deviation for project X is

- a. -1.581 percent.
- b. 0.000 percent.
- c. 1.581 percent.
- d. 2.738 percent.
- e. 5.000 percent.

ANSWER: b

POINTS: 1

REFERENCES: 1.APP Computation of Variance and Standard Deviation

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: INVE.REIL.19.01.03 - How do investors measure the rate of return on an investment?

KEYWORDS: Bloom's: Apply

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6. An investment has a standard deviation of 12 percent and an expected return of 7 percent. What is the coefficient of variation for this investment?

- a. 1.714
- b. 1.372
- c. 0.714
- d. 0.583
- e. 0.500

ANSWER: a

POINTS: 1

REFERENCES: 1.APP Computation of Variance and Standard Deviation

QUESTION TYPE: Multiple Choice

HAS VARIABLES: False

LEARNING OBJECTIVES: INVE.REIL.19.01.03 - How do investors measure the rate of return on an investment?

KEYWORDS: Bloom's: Apply

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