Test Bank for Investment Analysis and Portfolio Management 11th Reilly

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Chapter 2 - Appendix

Exhibit 2A.1
USE THE INFORMATION BELOW FOR THE FOLLOWING PROBLEM(S)

The following are the annual returns for both Alpine Corporation and Tauber Industries:

Year	Alpine's Rate of Return	Tauber's Rate of Return
1995	5	9
1996	9	16
1997	11	–16
1998	–10	12
1999	12	9

1. Refer to Exhibit 2A.1. Calculate the covariance.

a. –32.20
b. –23.32
c. 1.00
d. 23.32
e. 32.20

ANSWER: a
POINTS: 1
REFERENCES: 2.APP Computation of Covariance and Correlation
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
PREFACE NAME: Exhibit 2A.1
LEARNING OBJECTIVES: INVE.REIL.19.02.00 - How are covariance and correlation computed?
KEYWORDS: Bloom's: Apply
DATE CREATED: 3/15/2018 1:56 PM
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2. Refer to Exhibit 2A.1. Calculate the coefficient of correlation.

a. –0.456
b. –0.354
c. 0.000
d. 0.456
e. 3.538

ANSWER: b
POINTS: 1
REFERENCES: 2.APP Computation of Covariance and Correlation
QUESTION TYPE: Multiple Choice
HAS VARIABLES: False
LEARNING OBJECTIVES: INVE.REIL.19.02.00 - How are covariance and correlation computed?
KEYWORDS: Bloom's: Apply
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3. What is the correlation coefficient for two assets with a covariance of .0032, if asset 1 has a standard deviation of 12 percent and asset 2 has a standard deviation of 9 percent?

a. 0.2963
b. 0.3456
c. 0.8721
d. 1.5980

ANSWER:	a
POINTS:	1
REFERENCES:	2.APP Computation of Covariance and Correlation
QUESTION TYPE:	Multiple Choice
HAS VARIABLES:	False
LEARNING OBJECTIVES:	INVE.REIL.19.02.00 - How are covariance and correlation computed?
KEYWORDS:	Bloom's: Apply
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