

***Investment Analysis and Portfolio Management 11th
edition Reilly Test Bank***

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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

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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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Chapter 2 - Appendix

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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