a 1911 **GESTÃO FINANCEIRA II** Lic. - Undergraduate Degree

QUIZ (03.05.2016)

Name: …………………………………………………………………………………………. Number: ………………………..

<u>Answer each question by drawing a circle around the letter that, in your opinion, corresponds to the correct solution.</u>

1- As the number of stocks in a portfolio is increased:

A. unique risk decreases and approaches zero

B. systemic risk decreases

C. unique risk decreases and becomes equal to market risk

D. total risk approaches zero

2- For a portfolio of N-stocks, the formula for portfolio variance contains:

A. N(N - 1)/2 different covariance terms.

B. N^2 covariance terms.

C. N - 1 covariance terms.

D. N covariance terms.

3- Beta is a measure of:

A. market risk.
B. unique risk.
C. total risk.
D. liquidity risk.

4- Suppose you borrow at the risk-free rate an amount equal to your initial wealth and invest in a portfolio with an expected return of 17% and a standard deviation of returns of 20%. The risk-free asset has an interest rate of 5%. Calculate the expected return on the portfolio

A. 14,50%

B. 29,00%

C. 34,00%

D. 22,00%

5- The presence of a risk-free asset enables the investor to:

I) invest in the market portfolio;
II) find an interior portfolio using quadratic programming;
III) borrow or lend at the risk-free rate;
IV) form portfolios having greater Sharpe ratios

A. I and II only

B. I and III only

C. III and IV only

D. III only

6- Assume the following data for a stock: Beta = 1.5; Risk-free rate = 4%; Market rate of return = 12%; and Expected rate of return on the stock = 15%. Then the stock is:

A. cannot be determined

B. overpriced

C. underpriced

D. correctly priced