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GESTÃO FINANCEIRA II Lic. - Undergraduate Degree

QUIZ (03.05.2016)

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

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

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

A. total risk approaches zero

B. total risk decreases and approaches unique risk

C. total risk decreases and approaches the market risk

D. market risk decreases

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

A. N^2 covariance terms

B. N - 1 covariance terms.

C. N covariance terms.

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

3- Beta is a measure of:

A. liquidity risk.

B. market risk.

C. unique risk.

D. total 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 18% and a standard deviation of returns of 20%. The risk free asset has an interest rate of 5%. Calculate the expected return on the resulting portfolio.

A. 31,00%

B. 36,00%

C. 23,00%

D. 15,50%

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 only

B. III and IV only

C. III only

D. IV 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. correctly priced

B. cannot be determined

C. overpriced

D. underpriced