

Chapter 11 - Homework Questions and Problems Answers

2. Portfolio Expected Return. You own a portfolio that has \$2,750 invested in Stock A and \$3,900 invested in Stock B. If the expected returns on these stocks are 9 percent and 14 percent, respectively, what is the expected return on the portfolio?

3. Portfolio Expected Return. You own a portfolio that is 15 percent invested in Stock X, 40 percent in Stock Y, and 45 percent in Stock Z. The expected returns on these three stocks are 10 percent, 13 percent, and 15 percent, respectively. What is the expected return on the portfolio?

5. Calculating Expected Return. Return. Based on the following information, calculate the expected return.

State of Economy	Probability of State of Economy	Rate of Return If State Occurs
Recession	.30	-.11
Boom	.70	.21

13. Using CAPM. A stock has a beta of 1.23, the expected return on the market is 10.9 percent, and the risk-free rate is 3.6 percent. What must the expected return on this stock be?

14. Using CAPM. A stock has an expected return of 11.4 percent, the risk-free rate is 3.7 percent, and the market risk premium is 7.1 percent. What must the beta of this stock be?

15. Using CAPM. A stock has an expected return of 10.9 percent, its beta is .85, and the risk-free rate is 4.6 percent. What must the expected return on the market be?