



Calculating Stock Returns

[Questions]

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1. Return refers to the amount of money you make from an investment, expressed in dollar terms.
 - a. True
 - b. False

2. Which ONE of the following is the correct formula for the return on a stock?
 - a. $r = P_t/P_{t+1} - 1$
 - b. $r = P_{t+1}/P_t - 1$
 - c. $r = (P_t - P_{t+1})/P_t$
 - d. $r = (P_t - P_{t+1})/P_t - 1$
 - e. $r = 1 + P_{t+1}/P_t$

3. How much money would you make if you bought 10 shares of Alphabet (formerly, Google) for \$942.56 each and sold them for \$1,219.74 each? Ignore transaction costs and taxes for simplicity.
 - a. \$277.15
 - b. \$2,771.80
 - c. \$1,578.43
 - d. \$3,254.52
 - e. None of the above.

4. Imagine you bought 100 shares of Tesla (TSLA) at \$150.43 each and sold your entire holding for \$229.77 per share. What is your return?
 - a. 74.39%
 - b. 63.97%
 - c. 52.74%
 - d. \$22,826.57
 - e. \$79.34

5. What is the return for a stock that was bought for €47.39 and sold for €38.59?
- a. 22.80%
 - b. 17.53%
 - c. 12.49%
 - d. -3.82%
 - e. -18.57%
6. Calculate the return for a stock that earned a £27 profit per share based on a sale price of £104 per share.
- a. 385.19%
 - b. 100%
 - c. 38.52%
 - d. 35.06%
 - e. 3.19%
7. Consider the following. An investor buys 100 shares of Alibaba (BABA) for \$58.97 each. She sold half her holdings for \$87.81 and continues to hold the other half at \$184.82. What was the return on the stocks she sold, and what was her profit?
- a. 213.41% return and \$12,585 profit.
 - b. 213.41% return and \$6,292.50 profit.
 - c. 110.48% return and \$4,850.50 profit.
 - d. 51.59% return and \$2,884 profit.
 - e. 48.91% return and \$1,442 profit.

8. Consider the following. An investor buys 100 shares of Nvidia (NVDA) for \$109.18 each. She sold a quarter of her holdings for \$101.48 a week after buying all shares, and sold her remaining shares for \$206.81 a year later. What was the return on the stocks she sold?
- a. -7.05%
 - b. 65.30%
 - c. 89.42%
 - d. 103.79%
 - e. 203.80%
9. What is the return on a stock that traded at £40.38 at the time of purchase, paid dividends of £1.23, and was sold for £47.39?
- a. 20.41%
 - b. 17.36%
 - c. 14.25%
 - d. 8.35%
 - e. 3.05%
10. An investor bought 25 shares of Red Mail Plc for £3.40 soon after the stock paid a dividend of £0.25. The investor sold his shares for £3.72 the day after he received a dividend of £0.27. What is his return?
- a. 16.76%
 - b. 17.35%
 - c. 24.71%
 - d. 18.93%
 - e. 14.56%