Assignment 3
BUSI 721
Data Driven Finance I
Jones Graduate School of Business
Rice University

The assignments for Module 3 (other than Discussion Board assignments) are presented below. For each python assignment, submit a Jupyter notebook on Canvas. If there are multiple questions in an assignment, copy each question into a Markdown cell and provide your answer in the cell or cells below it. For the Excel assignment, submit an Excel workbook on canvas.

3.1 Leverage (Excel Assignment)

You have a $50,000 portfolio. You are considering levering it – borrowing $25,000 to increase the investment to $75,000. You can borrow at 5%.

1. Suppose the unlevered investment earns 10% and 5% interest is rolled into your debt. What are your assets, liabilities, and equity (equity = net portfolio value)? What was your return on your $50,000?

2. Repeat part (1) assuming the unlevered investment loses 10%.