# [Lecture 1 - Easy Exercises](https://moodle.telt.unsw.edu.au/mod/quiz/view.php?id=4715551)

1. Of the following five investments, \_\_\_\_\_\_\_\_ is (are) considered the safest.

A. corporate bonds

B. Treasury bonds

C. commercial paper

D. U.S. agency issues

E. Treasury bills

2. At issue, coupon bonds typically sell. Select one:

A. at a value unrelated to par.

B. at or near par value.

C. above par value.

D. below par value.

E. None of the options are correct.

3. The \_\_\_\_\_\_\_\_ is a measure of the average rate of return an investor will earn if the investor buys the bond now and holds until maturity.

A. P/E ratio

B. dividend yield

C. discount yield

D. current yield

E. yield to maturity

4. A coupon bond is a bond that:

A. can always be converted into a specific number of shares of common stock in the issuing company.

B. does not pay interest on a regular basis but pays a lump sum at maturity.

C. pays interest on a regular basis (typically every six months).

D. always sells at par value.

E. None of the options are correct.

# Lecture 3 - Easy Exercises

1. The holding-period return (HPR) on a share of stock is equal to

A. the dividend yield plus the risk premium.

B. the capital gain yield during the period plus the inflation rate.

C. the current yield plus the dividend yield.

D. the change in stock price.

E. the capital gain yield during the period plus the dividend yield.

2. You have been given this probability distribution for the holding-period return for KMP stock:

Stock of the Economy Probability HPR

Boom 0.30 18%

Normal growth 0.50 12%

Recession 0.20 –5%

What is the expected holding-period return for KMP stock?

A.11.54%

B.9.32%

C.10.88%

D.11.63%

E.10.40%

It is just the arithmetic mean 0.3 \* 0.18 + 0.5 \* 0.12 – 0.2 \* 0.5 = 0.104

# Lecture 4 - Easy Exercises

1. According to the mean-variance criterion, which one of the following investments dominates all others?

A. E(r) = 0.10; Variance = 0.20

B. E(r) = 0.15; Variance = 0.20

C. E(r) = 0.15; Variance = 0.25

D. E(r) = 0.10; Variance = 0.25

E. None of these options dominates the other alternatives.