

Content: Problems and concept questions (T/F, completion, etc.); emphasize implications of concepts, calculation

Format: 25 questions, 50 minutes, multiple-choice

Bring: pencil, eraser, calculator, scan form (#19641), cheat-sheet

Chapter	Topic
Chapters 2 & 3: Risk & Return	<p>Return: define and calculate</p> <p>Risk: define; distinguish stand-alone (total), diversifiable (firm-specific), non-diversifiable (market)</p> <p>Investors' attitudes and resulting choices</p> <p>Components of required return: risk-free rate (common), risk premium (specific to investment)</p> <p>Calculate expected return and standard deviation for isolated asset</p> <p>Calculate state returns, expected return and standard deviation for portfolio</p> <p>Is standard deviation an appropriate risk measure for an isolated asset, for a portfolio?</p> <p>Diversification: What is it? What makes it possible?</p> <p>Beta: Interpret size and sign</p> <p>Calculate portfolio beta: weighted average</p> <p>Is beta an appropriate risk measure for an isolated asset, for a portfolio?</p> <p>Calculate required return using CAPM (SML)</p> <p>Buy/sell/hold decision using CAPM</p> <p>Equilibrium: What does it mean? What brings it about? How to identify disequilibrium?</p> <p>Changes in equilibrium: expected inflation, risk aversion, firm's market risk</p> <p>Which managerial decisions might change a firm's market risk? Investment, Financing</p> <p>Estimate historical beta by OLS</p>
Market Efficiency	Degrees: Which information is priced? Implications of each?