

Content: Problems and concept questions (T/F, completion, etc.).
 Format: 25 questions, 50 minutes, multiple-choice
 Bring: pencil, eraser, calculator, scan form (#19641), cheat-sheet

Topic	Questions
Risk & Return	<p>Return: define and calculate (review Time Value) Risk: define; distinguish stand-alone (total), diversifiable (firm-specific), non-diversifiable (market) Investors' attitudes and resulting choices Components of required return: risk-free rate (common), risk premium (specific)</p> <p>Calculate expected return and standard deviation for isolated asset Calculate state return, expected return and standard deviation for portfolio Is standard deviation an appropriate risk measure for an isolated asset, for a portfolio? Diversification: What is it? What makes it possible?</p> <p>Beta: Interpret size and sign Estimate beta Calculate portfolio beta Is beta an appropriate risk measure for an isolated asset, for a portfolio? Calculate required return using CAPM (SML) Buy/sell/hold decision using CAPM</p> <p>Equilibrium: What does it mean? What brings it about? How to identify disequilibrium? Changes in equilibrium: expected inflation, risk aversion, firm's market risk Which managerial decisions might change a firm's market risk?</p>
