# *Investment Analysis and Portfolio Management 11th edition Reilly Test Bank*

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**Chapter 2 - Appendix**

**Exhibit 2A.1**
USE THE INFORMATION BELOW FOR THE FOLLOWING PROBLEM(S)

The following are the annual returns for both Alpine Corporation and Tauber Industries:

| Year | Alpine's Rate of Return | Tauber's Rate of Return |
|---|---|---|
| 1995 | 5 | 9 |
| 1996 | 9 | 16 |
| 1997 | 11 | –16 |
| 1998 | –10 | 12 |
| 1999 | 12 | 9 |

1. Refer to Exhibit 2A.1. Calculate the covariance.

a. –32.20
b. –23.32
c. 1.00
d. 23.32
e. 32.20

*ANSWER:* a
*POINTS:* 1
*REFERENCES:* 2.APP Computation of Covariance and Correlation
*QUESTION TYPE:* Multiple Choice
*HAS VARIABLES:* False
*PREFACE NAME:* Exhibit 2A.1
*LEARNING OBJECTIVES:* INVE.REIL.19.02.00 - How are covariance and correlation computed?
*KEYWORDS:* Bloom's: Apply
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2. Refer to Exhibit 2A.1. Calculate the coefficient of correlation.

a. –0.456
b. –0.354
c. 0.000
d. 0.456
e. 3.538

*ANSWER:* b
*POINTS:* 1
*REFERENCES:* 2.APP Computation of Covariance and Correlation
*QUESTION TYPE:* Multiple Choice
*HAS VARIABLES:* False
*LEARNING OBJECTIVES:* INVE.REIL.19.02.00 - How are covariance and correlation computed?
*KEYWORDS:* Bloom's: Apply
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3. What is the correlation coefficient for two assets with a covariance of .0032, if asset 1 has a standard deviation of 12 percent and asset 2 has a standard deviation of 9 percent?

a. 0.2963
b. 0.3456
c. 0.8721
d. 1.5980

| | |
|---|---|
| *ANSWER:* | a |
| *POINTS:* | 1 |
| *REFERENCES:* | 2.APP Computation of Covariance and Correlation |
| *QUESTION TYPE:* | Multiple Choice |
| *HAS VARIABLES:* | False |
| *LEARNING OBJECTIVES:* | INVE.REIL.19.02.00 - How are covariance and correlation computed? |
| *KEYWORDS:* | Bloom's: Apply |
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