

**Academic Year:** 2020/2021 **Semester:** Fall 2020

Course Information			
Course Code:	FIN300	Section:	O3
Instructor Name:			

Assignment Information	
Assignment Type:	Assignment 2 – Group (15)%
Due Date:	19/12/2020 23:59 P.M
No of Questions:	
Number of Pages:	

Marks Earned
/ 100

Student Information:		
<b>Students</b>	Name: .....	ID: .....
	Name: .....	ID: .....
	Name: .....	ID: .....

Regulations:
It is a group work. Please include all member names and IDs above. Answer all the questions. Show all your work.

### Problem 1. (30 points)

You buy ten shares of company ABC for \$1200. The share pays no dividends but at the end of one year you will sell the share for \$1300. Calculate the return in money terms and in percentage term (rate of return).

### Problem 2. (40 points)

Historical data of the returns for Goodman and Landry is given in the table below.

	Goodman	Landry
2013	24.8%	-1.0%
2012	-4.2%	13.2%
2011	62.7%	-10.0%
2010	2.9%	-0.4%
2009	60.9%	11.7%

- Calculate the average return for both companies
- Calculate standard deviation using the historical data of the returns for Goodman and Landry. Which one is more risky?
- Suppose you invest 30% in Goodman and 70% in Landry, what will be the risk of your portfolio?

**Problem 3. (30 points)**

Babua Company has a beta of 1.15. The risk-free rate is 3% and the expected return on the market is 10%.

a) What is the required rate of return on the Company's share?

b) What is the market risk premium?

c) What is the share risk premium?