C	0.11	0.42
D	0.12	0.49

10. By applying the dominant principle, which security is inefficient?

    1) A   2) B   3) C   4) D   5) none of the above

11. If Correlation(r_B, r_D)= -1, and Weight$_B$=1/2, Weight$_D$=1/2, what will be this portfolio's standard deviation?

    1) 0.0   2) 0.05   3) 0.10   4) 0.15   5) none of the above

12. Which security will the risk-neutral investor include in his (her) portfolio holding?

    1) A   2) B   3) C   4) D   5) all of the above

13. If prices in a particular market at all times fully reflect public available information, the market is ____ form efficient.

    1) weak   2) semi-weak   3) semi-strong   4) strong   5) super-strong

14. Assuming compounding continuously and monthly interest rate is 1%. If you deposit $100 into the bank, you will receive $_____ six months later.

    1) 106   2) 106.152   3) 106.184   4) 106.221   5) 106.412

15. If the components of a portfolio are uncorrelated and enough assets are included in the portfolio,

    1) the total risk of the portfolio will be almost zero

    2) only diversified risk will approaches zero

    3) only undiversified risk will approaches zero

    4) the risk of the portfolio will approach average variance

    5) None of the above

16. According to C.A.P.M. Model, in equilibrium, there is a linear relationship between the asset's___ and its ___.

    1) total risk, expected return   2) unique risk, expected return

    3) diversified risk, expected return   4) non-market risk, expected return

    5) undiversified risk, E(r)

17. A security that is underpriced with respect to all other securities will

    1) lie above the security market line   2) lie below the security market line

    3) lie on the security market line   4) lie on the capital market line

    5) lie above the capital market line

18. An ordinary bond's coupon rate has a 14% coupon rate and a $1000 face value. Interest is paid semiannually, and the bond has 7 years to maturity. If the investors required a 16 percent yield. What should be the bond's value?

    1) 1101.87   2) 1021.15   3) 985.42   4) 917.56   5) none of the above

19. Suppose you borrow $10000. You are going to repay the loan by making equal annual payment for five years. The interest rate on the loan is 9% per year. What should be the loan ending balance four years from now?

    1) 2230.48   2) 2000   3) 2358.64   4) 2498.45   5) none of the above

20. Project X and Y are not mutually exclusive and project X has a higher IRR than that of Y, this implies that you should

    1) take project X only   2) take project Y only   3) reject both