

+ Quiz 4:00

Quiz A for 2:30 Class: 9/19/12

Name Key

Assume that the past five years are representative for both Honda (HMC) and Shell (RDS). Set up the calculations (equations and all relevant numbers) to determine on which of the two stocks you could expect to earn the highest return and on which of the stocks you could expect the most volatile returns.

Return on:

Year	HMC	RDS
2011	-23%	15%
2010	17%	18%
2009	59%	21%
2008	-35%	-34%
2007	-15%	23%

Note: You don't have to solve anything, just set everything up.

Wall Street Journal Questions are on the back of this page.

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$$\bar{R}_{HMC} = \frac{1}{5} (-23 + 17 + 59 - 35 - 15) = A \quad (37)$$
$$\bar{R}_{RDS} = \frac{1}{5} (15 + 18 + 21 - 34 + 23) = B$$

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$$SD_{HMC} = \sqrt{\frac{1}{4} ((-23-A)^2 + (17-A)^2 + (59-A)^2 + (-35-A)^2 + (-15-A)^2)}$$
$$SD_{RDS} = \sqrt{\frac{1}{4} ((15-B)^2 + (18-B)^2 + (21-B)^2 + (-34-B)^2 + (23-B)^2)}$$