

Stock A has a beta of 0.8, Stock B has a beta of 1.0, and Stock C has a beta of 1.2. Portfolio P has equal amounts invested in each of the three stocks. Each of the stocks has a standard deviation of 25%. The returns on the three stocks are independent of one another (i.e., the correlation coefficients all equal zero). Assume that there is an increase in the market risk premium, but the risk-free rate remains unchanged. Which of the following statements is correct? Answers: a-The required returns on all three stocks will increase by the amount of the increase in the market risk premium. b-The required return on Stock A will increase by less than the increase in the market risk premium, while the required return on Stock C will increase by more than the increase in the market risk premium. c-The required return of all stocks will remain unchanged since there was no change in their betas. d-The required return on the average stock will remain unchanged, but the returns of riskier stocks (such as Stock C) will decrease while the returns on safer stocks (such as Stock A) will increase. e-The required return on the average stock will remain unchanged, but the returns of riskier stocks (such as Stock C) will increase while the returns of

safer stocks (such as Stock A) will decrease.

Answer:

b-The required return on Stock A will increase by less than the increase in the market risk premium, while the required return on Stock C will increase by more than the increase in the market risk premium.

Explanation:

Beta reflects the risk associated, as the beta is low, the expected risk is also low, accordingly return expected is also keeping all things constant.

When Beta is less than 1 it means the returns will be lower than market, accordingly for Stock A the return will increase but slower than the market risk.

Whereas, the Beta is more than 1 of Stock B and accordingly the risk is more but return will grow even faster as the risk volatility is high than the market risk.

According to Machiavelli, a prince who "keeps his promises and lives with sincerity" is recognized as _____.

To determine the density of an empty plastic jug, you would measure A) it on a scale.

B) it with a ruler.

C) the mass and volume.

D) the length and volume.

Which of the following explored the new England coastline of the Americas for England? A. amerigo Vespucci

B. Christopher Columbus

C. John Cabot

D. Vasco d' Aquillera

Two primary causes of computer-related health problems are a poorly designed work environment and failure to take regular breaks to stretch the muscles and rest the eyes. True? or False?

The general term used to describe elevated levels of cholesterol and other fatty substances in the blood is

two scientists failed to report unusual findings when they shared from a recent science experiment. Why is this not scientifically sound?

The part of the us government that carries out laws is

How do you solve $5x - 10 = 3x + 2$

What determines the size and rate of growth of the money supply

$2(x-1)=y+3$

$y=2x+1$

Find slope, x-intercept, and y-intercept for both equations

The solution in the two arms of the U-tube are separated by a membrane that is permeable to water and glucose but not to sucrose. Side A is half filled with a solution of 2 M sucrose and 1 M glucose. Side B is half filled with 1 M sucrose and 2 M glucose. Initially, the liquid levels on both sides are equal. After the system reaches equilibrium, what changes are observed?

Select the correct form of the verb: ella/devolver

-school districts - MARTA

- airport authorities

-community fire departments

These are all examples of which type of government?

A) county

B) municipal

C) special-purpose

D) state

What does supremacy clause do?

The rules for documenting any type of source must be exactly memorized.

a. True

b. False

How do scientist learn about the mantle and core of the earth

What stopped the advance of the North Korean army on August 4, 1950?

When animals consume a toxic material and it builds up in their bodies more quickly than it can be metabolized or excreted, it may harm them, as well as humans who consume them. What is this process called? Biomagnification

Biological half life

Environmental persistence

Environmental stability

1. [Home](#)
2. [More Solution](#)