Unit 10 - Week 7: Non-Mean-Variance Portfolio Theory- III

Assignment 7

The due date for submitting this assignment has passed.
As per our records you have not submitted this assignment.

Due on 2020-11-04, 23:59 IST.

1) If the returns r_i are $10\%, 8\%, 7\%, 12\%$ and 11%, with $h = 10\%$, then the semi-variance of the returns (in percentage) equals :

Hint

No, the answer is incorrect.
Score: 0
Accepted Answers:
(Type: Range) 2.58,2.62

1 point

2) In the context of the CML formula, which of the following holds true : *1 point*

- $\frac{\sigma_p}{\sigma_m} = \frac{\bar{\sigma}_p}{\bar{\sigma}_m}$
- $\frac{\sigma_p}{\sigma_m} > \frac{\bar{\sigma}_p}{\bar{\sigma}_m}$
- $\frac{\sigma_p^2}{\sigma_m} = \frac{\bar{\sigma}_p^2}{\bar{\sigma}_m}$
- $\sigma_p \quad \frac{\bar{\sigma}_p}{\bar{\sigma}_m}$

No, the answer is incorrect.
Score: 0
Accepted Answers:
$\frac{\sigma_p}{\sigma_m} = \frac{\bar{\sigma}_p}{\bar{\sigma}_m}$

3) Consider an asset a_i, with $\beta_i = 0.8$ and $\bar{\beta}_i = 0.6$, with $E(r_m) = 8\%$ and $r_f = 4\%$.
If ER and ER_i are the excess return over the riskfree rate, in the usual CML and semi-variance CML, respectively, then $ER - ER_i$ (in percentage) equals :

Hint

No, the answer is incorrect.
Score: 0
Accepted Answers:
(Type: Range) 0.78,0.82

1 point

4) *1 point*

Consider two assets A and B, with

Return on A	Probability of return on A	Return on B	Probability of return on B
5	$\frac{1}{3}$	4	$\frac{1}{3}$
6	$\frac{1}{3}$	6	$\frac{1}{3}$
8	$\frac{1}{3}$	7	$\frac{1}{3}$

If r_A and r_B denote the return of assets A and B, respectively, then $P(r_A \leq 6) - P(r_B \leq 6)$ equals:

- $\frac{1}{3}$
- $-\frac{1}{3}$
- 0
- $\frac{2}{3}$

No, the answer is incorrect.
Score: 0
Accepted Answers:
0

5) Consider the Table in Question Number 4. Which of the following is TRUE : *1 point*

- B dominates A in FSD
- A dominates B in FSD
- No clear dominance in FSD

No, the answer is incorrect.
Score: 0
Accepted Answers:
A dominates B in FSD

6) Which of the following conditions is/are applicable to SSD, but not to FSD, if A dominates B. *1 point*

- $U'(r) > 0$
- $U''(r) < 0$
- $\int_a^r [F_A(x) \quad F_B(x)]\, dx \leq 0$ for all $r \subset [a, b]$
- $\int_a^r [F_A(x) - F_B(x)]\, dx \leq 0$ for all $r \in [a, b]$, with strict inequality holding for atleast one value of $r \in [a, b]$

No, the answer is incorrect.
Score: 0
Accepted Answers:
$U''(r) < 0$
$\int_a^r [F_A(x) - F_B(x)]\, dx \leq 0$ for all $r \in [a, b]$, with strict inequality holding for atleast one value of $r \in [a, b]$

7) *1 point*

Consider two assets A and B, with

Return on A	Probability of return on A	Return on B	Probability of return on B
5	$\frac{1}{3}$	4	$\frac{1}{3}$
6	$\frac{1}{3}$	6	$\frac{1}{3}$
7	$\frac{1}{3}$	8	$\frac{1}{3}$

Then state whether the following statement is TRUE or FALSE:
Asset B dominates A in SSD.

- TRUE
- FALSE

No, the answer is incorrect.
Score: 0
Accepted Answers:
FALSE

8) State whether the following statement is TRUE or FALSE : *1 point*
TSD can be applied in case of $U(r) = -e^{-3r}$.

- TRUE
- FALSE

No, the answer is incorrect.
Score: 0
Accepted Answers:
TRUE