

Chapter 2 - Appendix**Multiple Choice****Exhibit 2A.1**

USE THE INFORMATION BELOW FOR THE FOLLOWING PROBLEM(S)

The following are the annual returns for both Alpine Corporation and Tauber Industries:

Year	Alpine's Rate of Return	Tauber's Rate of Return
1995	5	9
1996	9	16
1997	11	-16
1998	-10	12
1999	12	9

1. Refer to Exhibit 2A.1. Calculate the covariance.

- a. -32.20
- b. -23.32
- c. 1.00
- d. 23.32
- e. 32.20

ANSWER: a

2. Refer to Exhibit 2A.1. Calculate the coefficient of correlation.

- a. -0.456
- b. -0.354
- c. 0.000
- d. 0.456
- e. 3.538

ANSWER: b

3. What is the correlation coefficient for two assets with a covariance of .0032, if asset 1 has a standard deviation of 12 percent and asset 2 has a standard deviation of 9 percent?

- a. 0.2963
- b. 0.3456
- c. 0.8721
- d. 1.5980

ANSWER: a