

# Investment Management



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## Final exam questions 3

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1. What is the difference between simple and compound interest rate? ( Lecture 2, slide 19-21).
2. What is the Euro Interbank Offer Rate? ( Lecture 6, slide 27).
3. What is the correlation coefficient? ( Lecture 7, slide 13 and 17).
4. What is the difference between market and unique risk. ( Lecture 8, slide 6-9).
5. Define Capital Allocation Line and provide formula of the slope. ( Lecture 10, slide 10-12).
6. Write down the assumptions of CAPM. ( Lecture 11, slide 5-6).
7. Write down the formula and inputs of CAPM. ( Lecture 11, slide 25-26).
8. What is the difference between Capital Market Line and Security Market Line? ( Lecture 12, slide 5).
9. What do you understand by stock's alpha in CAPM? Provide an example. ( Lecture 12, slide 10).
10. What does Capital Asset Pricing Model state? ( Lecture 12, slide 14-15).

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11. Provide definition and examples of common stocks.
12. What is the dividend yield and how it is used in calculation of the value of stocks?
13. Give a definitions of Modigliani & Miller model and provide formula.
14. Provide matrix for calculating the variance of two-stocks portfolio.
15. What is the Mean-Variance Criterion?
16. How the risk can be controlled through Asset Allocation Choice?
17. What is the difference between complete portfolio and optimal risky portfolio?
18. What is the Reward to Volatility Ratio?
19. The Capital Asset Pricing Model: Conclusion 1
20. The Capital Asset Pricing Model: Conclusion 2
21. The Capital Asset Pricing Model: Conclusion 3
22. The Capital Asset Pricing Model: Conclusion 4

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23. Provide an example of overpriced and underpriced stocks (Security Market Line).
24. Why historical estimates of beta is not accurate?
25. Why the Capital Market Line is the best possible Capital Allocation Line?