

AS 05 (iv) - Finance and Investment

Original Text in book

Chapter 1 Page no.22

The covariance between securities 1 and 2 is

$$\text{Cov 1.2} = \frac{\text{Cor (1.2)}}{(\text{SD1}) (\text{SD2})}$$

Revised text as below

Chapter 1 Page no.22

The covariance between securities 1 and 2 is

$$\text{Cov(1.2)} = \text{Cor(1.2)} \times (\text{SD}_1 \cdot \text{SD}_2)$$

Original Text in book

Chapter 1 Page no.23

The correlation coefficient between securities 1 and 2 is

$$\text{Cor (1.2)} = \text{Cov (1.2)} / (\text{SD1} * \text{SD2})$$

Revised text as below

Chapter 1 Page no.23

The correlation coefficient between securities 1 and 2 is

$$\text{Cor (1.2)} = \text{Cov (1.2)} / (\text{SD1} \times \text{SD2})$$

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Chapter 1 Page no.44

Answers to Self-Examination Questions:

Answer 4

The correct answer is a.

Systematic risk.

Revised text as below

Chapter 1 Page no.44

Answers to Self-Examination Questions:

Answer 4

The correct answer is **c**.

Unsystematic risk.

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Chapter 5 Page no.192 & 193

Treynor Measure: $R_p - \frac{\bar{R}_f}{B_p}$

Fund A: $\frac{12-6}{1.1} = 5.45$

Fund B: $\frac{10-6}{0.9} = 4.44$

Fund C: $\frac{13-6}{1.2} = 5.83$

Market Index: $\frac{11-6}{1.0} = 5.00$

Shrape Measure: $\frac{\bar{R}_p - R_f}{\alpha_p}$

Fund A: $\frac{12-6}{18} = 0.333$

Fund B: $\frac{10-6}{15} = 0.267$

Fund C: $\frac{13-6}{20} = 0.350$

Market Index: $\frac{11-6}{17} = 0.294$

Jensen Measure: $R_p - [R_f + B_p (R_m - R_f)]$

Revised text as below

Chapter 5 Page no.192 & 193

Treynor Measure: $R_p - \frac{R_f}{B_p}$

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Jensen Measure: $R_p - [R_f + B_p (R_m - R_f)]$

Original Text in book

Chapter 1 Page no.25

The expected return on security 2 is:

$$E(R_2) = 0.10 (5\%) + 0.30 (12\%) + 0.30 (19\%) + 0.20 (15\%) + 0.10 (12\%) = 16\%$$

Revised text as below

Chapter 1 Page no.25

The expected return on security 2 is:

$$E(R_2) = 0.10 (5\%) + 0.30 (12\%) + 0.30 (19\%) + 0.20 (15\%) + 0.10 (12\%) = 14\%$$

Original Text in book

Chapter 1 Page no.26

$$= [0.5^2 \times 10^2 + 0.3^2 \times 15^2 + 0.2^2 \times 20^2 + 2 \times 0.5 \times 0.3 \times 0.3 \times 10 \times 15 + 2 \times 0.5 \times 0.2 \times 0.5 \times 10 \times 20 + 2 \times 0.3 \times 0.2 \times 0.6 \times 15 \times 20]^{1/2}$$

Revised text as below

Chapter 1 Page no.26

$$= [0.5^2 \times 10^2 + 0.3^2 \times 15^2 + 0.2^2 \times 20^2 + 2 \times 0.5 \times 0.3 \times 0.3 \times 10 \times 15 + 2 \times 0.5 \times 0.2 \times 0.5 \times 10 \times 20 + 2 \times 0.3 \times 0.2 \times 0.6 \times 15 \times 20]^{1/2}$$

Original Text in book

Chapter 5 Page no.192 & 193

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Revised text as below

Chapter 5 Page no.192 & 193

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Original Text in book

Chapter 8 Page no.252 -REQUIREMENTS FOR A PRIVATE LIMITED COMPANY - point 3

3. Shareholders: There must be a minimum of two shareholders (also described as 'members' or 'subscribes'). A private company can have up to fifty shareholders.

Revised text as below

Chapter 8 Page no.252- REQUIREMENTS FOR A PRIVATE LIMITED COMPANY- point 3

3. Shareholders: There must be a minimum of two shareholders (also described as 'members' or 'subscribes'). A private company can have up to **200** shareholders