Exam #1

1. Time Value of Money
   1.1 Discounting and Compounding
   1.2 PV and FV of CF streams
   1.3 The frequency of Compounding

2. Risk and Return
   2.1 Parameters of the Return Distribution (expectations, variances, std, covariances and correlations of returns)
   2.2 The definition and implications of risk aversion
   2.3 Portfolio return (2 assets) – Expectation and Variance (STD)
   2.4 Efficient portfolios – Mutually exclusive assets; One risk-free and n mutually exclusive risky assets; Two risky assets
   2.5 The minimum variance portfolio
Exam #1

- Bring your own formulas – **One page** (letter) with formulas printed or written on **one side**
- Bring your calculator
  - Make sure that it works
  - Make sure that you know how to use it
- Two - Three open questions, 60 minutes.
  - Write down the data and the details of your calculations
  - Simple questions are not a trap
  - Read each question carefully and make sure that you are providing the solution that the question is seeking
  - If you need the result of a part that you were not able to solve, pick a reasonable number, write down your assumption and use it to solve the next part.

Read and Practice

- Practice sets:
  - **Time Value of Money**
  - BKM 8th Ed. Ch. 6: 15-18, 26-27, 21, CFA: 6, 8-9;
  - BKM 8th Ed. Ch. 7: 4-13;
  - Mathematics of Portfolio Theory: Read and practice parts 1-10.

- Practice Quizzes:
  - Quiz 1 – 1; 2; 3; 4; 5a-5c.
  - Quiz 2 – 2a-2b; 3a-3e.

- Notes and Book Chapters:
  - Introduction: Ch. 1, 2, 3 (book chapters)
  - Time Value of Money (note and recommended books)
  - Mathematics of Portfolio Theory (note)
  - Risk, Return and Portfolios: Ch. 6, 7.1-7.2 (book chapters).