

**\*\*IMPORTANT: LATE ASSIGNMENTS NOT ACCEPTED – NO EXCEPTIONS\*\***

### DID YOU GET (VIRTUALLY) RICH?

#### Exercise Instructions:

- (1) Exercise 7 (web browse) asked you to research, select, and report on a \$10,000 portfolio of publicly available stocks.
- (2) This web browse exercise asks you to assess the capital gains (or losses) that you (virtually) earned on your Exercise 7 portfolio.
- (2) Please be sure to staple all of your answer sheets together, and to put your **name, student ID number, and 353-Ex12** at the top of your answer packet.
- (3) **BE SURE TO BRING AN EXTRA COPY OF YOUR ANSWER SHEETS TO CLASS ON DECEMBER 4.**

#### Basic References:

- [0. ] Exercise 7, Econ 353, Turned in on October 23, 2007  
<http://www.econ.iastate.edu/classes/econ353/tesfatsion/Ex7F07.pdf>
- [1. ] L. Tesfatsion, “Measuring the Volatility of Stock Returns: Points to Ponder,” posted at the Econ 353 Syllabus (Mishkin Chapter 1 Materials), directly accessible at  
<http://www.econ.iastate.edu/classes/econ353/tesfatsion/StockVolatility.2007.pdf>
- [2. ] Mishkin Chapter 7:Part A (“Stock Market Pricing”, pp. 151-156)
- [3. ] L. Tesfatsion, “Notes on Mishkin Chapter 7: Part A (pp. 151-156), posted at the Econ 353 Syllabus (Mishkin Chapter 7 Materials), directly accessible at  
<http://www.econ.iastate.edu/classes/econ353/tesfatsion/mish7a.pdf>
- [4. ] NYSE Euronext main website (<http://www.nyse.com/>) and listed company directory (<http://www.nyse.com/about/listed/listed.html>)
- [5. ] NASDAQ-100 website with company listing (<http://quotes.nasdaq.com/quote.dll?page=nasdaq100>)
- [6. ] AMEX website (<http://www.amex.com/>) with company listing (select Equities/Listed Companies from menu)

In Exercise 7 you were asked to allocate a \$10,000 money “windfall” from Uncle Ted in a portfolio of FIVE stocks publicly traded either on the New York Stock Exchange (NYSE) Euronext, the NASDAQ-100, or the American Stock Exchange (AMEX). For concreteness, you were asked to assume that October 16, 2007, was the day on which all of your stock purchases were made (so that the value of your portfolio was determined by share prices on this day).

This exercise asks you to calculate how much profit or loss you (virtually) accrued on this portfolio over the following month (from the end of the day 10/16/07 through the end of the day 11/16/07).

**Part A (1 Point):** For self-sufficiency, repeat here from Exercise 7 (Parts I and III) the following information:

- (a) For each of your five selected stocks, give the name of the company issuing the stock;
- (b) For each of your five selected stocks, give the name of the exchange where the stock is traded;
- (c) For each of your five selected stocks, give the share price, number of shares, and total dollar value of your stock purchase (using 10/16/07 as your purchase day);
- (d) For each of your five selected stocks, give a brief indication of why you selected this stock.
- (e) Give the exact total value of your stock portfolio on the purchase day 10/16/07, i.e., give  $PV(10/16/07)$  as calculated in Part III of Ex 7.

**Part B (2 Points):** Using the closing share prices for your five selected stocks on 11/16/07, calculate the total value of your portfolio at the end of 11/16/07. That is, calculate and report  $PV(11/16/07)$  using the same basic steps indicated in Part III of Exercise 7. Be sure to carefully show and explain all of your calculation steps.

**Part C (1 Point):** Using  $PV(10/16/07)$  from Part B as the “total cost basis” of your stock portfolio, calculate the total capital gain or loss you (virtually) earned on your portfolio during the holding period from 10/16/07 through 11/16/07. That is, calculate and report  $[PV(11/16/07) - PV(10/16/07)]$ .

**Part D (2 Point):** Which of your stock holdings were the primary reason for your total capital gain (or loss) as calculated in Part C? Based on the return rates you calculated for each of the stocks in your portfolio in Part II of Exercise 7, are you pleasantly (or unpleasantly) surprised by the performance of any of your stocks? Explain.