In singer Whitney Houston’s will, she leaves her daughter, Bobbi Kristina, $20 million. Bobbi Kristina goes to the Body Guard Bank where her financial advisor, Frank Farmer, recommends that she use a discount rate of 5% when evaluating her investment alternatives. He tells her about an “I Will Always Love You” perpetuity investment that promises an initial payout of 2.0% at the end of the first year and subsequent payments that grow in each year. If Bobbi Kristina invests the entire $20 million in this perpetuity, what minimum growth rate will she need to break even?

1. 1%
2. 2%
3. 3%
4. 4%

Don purchased a stock for $37 and sold this stock a year later for $50. His total holding period return was 50%. What is the amount of dividends that Don received?

1. 0
2. 2.5
3. 5.5
4. 6.5

Mr. Boyles has made an investment that will generate returns that are subject to the state of the economy during the year. Use the following information to calculate the standard deviation of the return distribution for Mr. Boyles' investment. (Round to the Nearest Hundredth)

State Return Probability

Not So Good 10.00% 30.00%

OK 15.00% 40.00%

Awesome 50.00% 30.00%

A) 0.18

B) 0.24

C) 0.17

D) 0.03