Due date: 04/04/06 before the start of class.

Q1. Do question 1 at the end of Chapter 5

Q2. Do question 5 at the end of Chapter 5

Q3. Do question 6-7 at the end of Chapter 5

Q4. Do question 14 at the end of Chapter 5

(hint: Use Excel IRR function for part b.)

Q5. Do question 18 at the end of Chapter 5

Q6. Do question 19-23 at the end of Chapter 5

Q7. Based on Table 5.3, historically small stock has an average nominal return of 18.43%, while average annual inflation is 3.12%.

   a. What is the average before-tax real rate of return for investing in small stocks?

   b. What is the average after-tax real rate of return for investing in small stocks if the investment is taxed at the 15% rate for capital gains?

Please show your work for multiple choice questions.