17. Given the following information, compute the standard deviation for Investment A:

<table>
<thead>
<tr>
<th>Payoff</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>0.5</td>
</tr>
<tr>
<td>10%</td>
<td>0.4</td>
</tr>
<tr>
<td>−10%</td>
<td>0.1</td>
</tr>
</tbody>
</table>

\[
\hat{r}_A = 13.0\%
\]

a. 81.0%
b. 5.0%
c. 9.0%
d. 17.1%
e. None of the above is correct.

Solution: \[
\sigma = \sqrt{0.5(20\% - 13\%)^2 + 0.4(10\% - 13\%)^2 + 0.1(-10\% - 13\%)^2} = \sqrt{81} = 9.0\%
\]

RETURN TO THE SAMPLE QUESTIONS