**Managerial Finance – Chapter 6**

**Using statistical analysis to evaluate stocks**

1. Look up and record year-end prices for your subject company, your two comps, and the Dow from 12/31/2003 – 12/31/2013 and determine each yearly return. After these calculations, determine the historical standard deviation for each.

Yr end prices Subject Company Comp 1 Comp 2 Dow Jones

12/31/2013

12/31/2012

12/31/2011

12/31/2010

12/31/2009

12/31/2008

12/31/2007

12/31/2006

12/31/2005

12/31/2004

12/31/2003

Yrly return Subject Company Comp 1 Comp 2 Dow Jones

12/31/2013

12/31/2012

12/31/2011

12/31/2010

12/31/2009

12/31/2008

12/31/2007

12/31/2006

12/31/2005

12/31/2004

Historical Standard Deviation (show your work):

Subject Company

Comp 1

Comp 2

Dow Jones

1. Now assume that you must plan for 2014. Financial analysts have forecasted the following probabilities for the state of the economy: 20% Very Strong, 35% Strong, 30% Average, and 15% Weak. Using the data from above and knowledge you have learned regarding the economy, determine likely returns for your subject company under each condition and explain your rationale.
2. Now determine the standard deviation for the numbers you produced in question 2. Show all work.
3. Explain the difference in the two different standard deviations that you calculated for your subject company.
4. Using the data from question 1, calculate the coefficient of variation for your subject company, your two comps, and the Dow. Show all work.

Subject Company: Comp 1:

Comp 2: Dow:

1. What do the differences in the above coefficients tell us when evaluating stocks?