

Stock Market Calculations

Name: _____ Date: _____

Directions: Calculate the rate of return for each type of investment and the overall investment portfolio in 2002 and in 2007. Show all your work.

Total Return Formula:

Annual Return Formula:

For both formulas, multiply by 100 to convert to a percentage rate.

1. Investment period January 3, 2000 to September 23, 2002 (Estimate 1.75 years)

Record Data

Initial investment in stock (1/30/00)

Asset value of stock (9/23/02)

Initial investment in bonds

Asset value of bonds*

Cash set aside

Total value of all assets (9/23/02)

*to calculate asset value of bonds, multiply initial investment by (1.0525). An initial investment of \$10,000 in bonds would be worth approximately \$10,525 by September 2002. This calculation uses the compound interest formula, assuming annual compounding with an interest rate of 3%: Ending Value = Principal x $(1.03)^{1.75}$ with 1.75 representing the number of years.

Calculate:

a. Total return on investment in stock

b. Annual return on investment in stock

c. Total return on investment in bonds

d. Annual return on investment in bonds

e. Total return on all investments

f. Annual return on all investments
