



Dr.G.R.Damodaran College of Science

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Semester V

ELECTIVE 1 : FINANCIAL SERVICES- 513U1

Multiple Choice Questions.

1. Investment is the _____
- A. net additions made to the nations capital stocks
 - B. persons commitment to buy a flat or house
 - C. employment of funds on assets to earn returns
 - D. employment of funds on goods and services that are used in production process

ANSWER: C

2. speculator is a person _____
- A. who evaluates the performance of the company
 - B. who uses his own funds only
 - C. who is willing to take high risk for high returns
 - D. who considers heresays and market behaviours

ANSWER: C

3. which one of the following is not a money market securities?
- A. Treasury bills
 - B. National savings certificate
 - C. Certificate of deposit
 - D. Commercial paper

ANSWER: B

4. Commercial papers are _____
- A. unsecured promissory notes
 - B. secured promissory notes
 - C. sold at a premium
 - D. issued for a period of 1 to 2 years

ANSWER: A

5. Registrar to the issue _____
- A. helps in the appointment of lead managers
 - B. drafts the prospectus
 - C. recommends the basis of allotment
 - D. directs the various agencies involved in the issue

ANSWER: C

6. The underwriter has to take up _____
- A. the fixed portions of the issue capital

- B. the agreed portion of the unsubscribed part
- C. the agreed portion or can refuse if
- D. the unfixed portions of the issue capital

ANSWER: B

7. _____ are financial assets

- A. Bonds
- B. Machines
- C. Stocks
- D. A and C

ANSWER: D

8. An example of a derivative security is _____

- A. a common share of General Motors
- B. a call option on Mobil stock.
- C. a commodity futures contract
- D. B and C

ANSWER: D

9. Which of the following investment areas is heavily tied to work using mathematical and statistical models?

- A. security analysis.
- B. portfolio management.
- C. institutional investing.
- D. retirement planning.

ANSWER: A

10. Most investors are risk averse which means _____.

- A. they will assume more risk only if they are compensated by higher expected return.
- B. they will always invest in the investment with the lowest possible risk.
- C. they will always invest in the investment with the lowest possible risk.
- D. they avoid the stock market due to the high degree of risk.

ANSWER: C

11. Which of the following would be considered a risk-free investment?

- A. Gold.
- B. Equity in a house.
- C. High-grade corporate bonds.
- D. Treasury bills.

ANSWER: A

12. _____ are financial assets.

- A. bonds
- B. Machines
- C. stocks
- D. A&C

ANSWER: D

13. Investment decision making traditionally consists of two steps _____.

- A. investment banking and security analysis.
- B. buying and selling.

- C. risk and expected return.
- D. security analysis and portfolio management.

ANSWER: D

14. The rise of the Internet has_____.

- A. greatly increased the cost of security trading.
- B. significantly democratized the flow of investment information.
- C. led to fewer number of discount brokers.
- D. led to large amounts of security fraud.

ANSWER: A

15. The largest single institutional owner of common stocks is_____.

- A. mutual funds.
- B. insurance companies.
- C. pension funds.
- D. commercial banks.

ANSWER: A

16. Savings accounts are_____ but are not_____.

- A. negotiable; liquid.
- B. marketable; liquid.
- C. liquid; personal.
- D. liquid; marketable.

ANSWER: C

17. Treasury bills are traded in the _____.

- A. money market.
- B. capital market.
- C. government market.
- D. regulated market.

ANSWER: A

18. Which of the following would not be considered as capital market security?

- A. A corporate bond.
- B. A common stock.
- C. A 6-month Treasury bill.
- D. A mutual fund share.

ANSWER: C

19. The coupon rate is another name for the_____.

- A. market interest rate.
- B. current yield.
- C. stated interest rate.
- D. yield to maturity.

ANSWER: A

20. Dividends are paid_____.

- A. monthly.
- B. quarterly.
- C. semi-annually.
- D. yearly.

ANSWER: D

21. If an investor states that Intel is overvalued at 65 times, he is referring to_____.
- A. earnings per share.
 - B. dividend yield.
 - C. book value.
 - D. p/e ratio.

ANSWER: B

22. If a preferred stock issue is cumulative, this means_____.
- A. dividends are paid at the end of the year.
 - B. dividends is legally binding on the corporation.
 - C. unpaid dividends will be paid in the future.
 - D. unpaid dividends are never repaid.

ANSWER: C

23. Which of the following is not a characteristic of investments companies?
- A. pooled investing.
 - B. diversification.
 - C. managed portfolios.
 - D. reduced expenses.

ANSWER: D

24. In order to avoid paying income taxes, an investment company must_____.
- A. be classified as a non-profit organization.
 - B. invest only in municipal bonds.
 - C. pass on interest, dividends, and capital gains to the stockholders.
 - D. be registered as a closed-end investment company.

ANSWER: B

25. The most popular type of investment company is a_____.
- A. unit investment trust.
 - B. mutual fund.
 - C. closed-end investment company.
 - D. real estate investment trust.

ANSWER: A

26. An unmanaged fixed income security portfolio handled by an independent trustee is known as a_____.

- A. junk bond fund.
- B. closed-end investment company.
- C. unit investment trust.
- D. hedge fund.

ANSWER: D

27. A major difference between a closed-end investment company and an open-end investment company is that_____.
- A. closed-end investment companies are generally much riskier.
 - B. their security portfolios are substantially different.
 - C. closed-end investment companies are passive investments and open-ends are not.
 - D. closed-end companies have a more fixed capitalization.

ANSWER: B

28. Which of the following generally traded on stock exchanges?

- A. Unit investment trusts
- B. Closed-end investment companies
- C. Open-end investment companies
- D. All trade on stock exchanges.

ANSWER: D

29. It is not important to have a secondary market for mutual funds because_____.

- A. investors hold the securities till maturity.
- B. investors trade between themselves.
- C. investors sell their shares back to the company.
- D. banks will cash their shares as long as they have accounts at the bank.

ANSWER: D

30. A group of mutual funds with a common management are known as_____.

- A. fund syndicates.
- B. fund conglomerates.
- C. fund families.
- D. fund complexes.

ANSWER: C

31. Net asset value takes into account_____.

- A. both realized and unrealized capital gains.
- B. only realized capital gains.
- C. only unrealized capital gains.
- D. neither realized nor unrealized capital gains.

ANSWER: A

32. If NAV > market price of a fund, then the fund_____.

- A. is selling at a discount.
- B. is selling at a premium.
- C. is an index fund.
- D. is an exchange traded fund.

ANSWER: B

33. Mutual funds may be affiliated with an underwriter. This means_____.

- A. the underwriter has an exclusive right to distribute shares.
- B. the underwriter selects the securities in the portfolio.
- C. there is no risk to the issuer of the mutual fund.
- D. there is no risk to the investor of the mutual fund.

ANSWER: A

34. In an underwriting arrangement, the risk is assumed by the_____.

- A. issuer of the security.
- B. investment bankers.
- C. commercial bankers.
- D. institutional investors.

ANSWER: A

35. The _____ is a window through which the investor can see the company.

- A. Syndicate offer.
- B. IPO.
- C. Prospectus.
- D. Shelf rule.

ANSWER: C

36. Investment bankers are compensated by_____.

- A. the underwriting spread.
- B. commissions paid by the buyers of the security.
- C. commission paid by the sellers of the security.
- D. guaranteed investment contracts.

ANSWER: D

37. Investment bankers operate in the_____.

- A. primary market.
- B. secondary market.
- C. third market.
- D. fourth market.

ANSWER: A

38. Which exchange member is assigned to a specific trading post?

- A. Commission broker.
- B. Floor trader.
- C. Specialist.
- D. Dealer.

ANSWER: C

39. A computerized trading network that matches buy and sell orders electronically entered by customers is a_____.

- A. national markets system.
- B. electronic communications networks.
- C. internet investment service.
- D. global investment network.

ANSWER: B

40. If an investor is attempting to buy a stock that is very volatile, it would be best to use_____.

- A. market order.
- B. limit order.
- C. stop-loss order.
- D. contingency order.

ANSWER: B

41. Which of the following has helped to eliminate the use of stock certificates by placing stock transactions on computers?

- A. Demat account.
- B. Securities Exchange Commission.
- C. Depository Trust Company.
- D. Federal Depository Insurance Corporation.

ANSWER: A

42. All new issues being offered for public sale are registered with_____.

- A. SEBI.
- B. new issue market.
- C. maloney act of 1936.
- D. securities investor protection act of 1970.

ANSWER: B

43. Total return is equal to_____.

- A. capital gain + price change.
- B. yield + income.
- C. capital gain - loss.
- D. yield + price change.

ANSWER: A

44. The return component that gives periodic cash flows to the investor is known as the_____.

- A. capital gain.
- B. interest rate.
- C. yield.
- D. unrealized gain.

ANSWER: C

45. Investors should be willing to invest in riskier investments only_____.

- A. if the term is short.
- B. if there are no safe alternatives except for holding cash.
- C. if the expected return is adequate for the risk level.
- D. if they are true speculators.

ANSWER: D

46. If interest rates are expected to rise, you would expect_____.

- A. bond prices to fall more than stock prices.
- B. bond prices to rise more than stock prices.
- C. stock prices to fall more than bond prices.
- D. stock prices to rise and bond prices to fall.

ANSWER: A

47. Financial risk is most associated with_____.

- A. the use of equity financing by corporations.
- B. the use of debt financing by corporations.
- C. Equity investments held by corporations.
- D. Debt investments held by corporations.

ANSWER: B

48. Political stability is the major factor concerning_____.

- A. exchange risk.
- B. systematic risk.
- C. nonsystematic risk.
- D. country risk.

ANSWER: D

49. Liquidity risk_____.

- A. is the risk that investment bankers normally face.

- B. is lower for small OTCEI stocks than for large NSE stocks.
- C. is the risk associated with secondary market transactions.
- D. increases whenever interest rates increase.

ANSWER: D

50. Which of the following is not related to overall market variability?

- A. Financial risk.
- B. Interest rate risk.
- C. Purchasing power risk.
- D. Market risk.

ANSWER: A

51. Financial disclosure regulations affecting the brokerage industry are a type of_____.

- A. market risk.
- B. financial risk.
- C. business risk.
- D. liquidity risk.

ANSWER: C

52. If interest rates rose, you would expect _____ to also rise.

- A. business risk.
- B. financial risk.
- C. liquidity risk.
- D. inflation risk.

ANSWER: C

53. Total return as defined in the text is_____.

- A. the difference between the sale price and the purchase price of an investment.
- B. measured by dividing the sum of all cash flows received by the amount invested.
- C. the reciprocal of a return relative.
- D. measured by dividing all cash flows received by its selling price.

ANSWER: B

54. The _____is stated on the basis of 1.0.

- A. total return.
- B. return relative.
- C. cumulative wealth index.
- D. geometric mean.

ANSWER: A

55. The return relative solves the problem of_____.

- A. inflation.
- B. negative returns.
- C. interest rates.
- D. tax differences.

ANSWER: A

56. If the Dow Jones Industrials had a price appreciation of 6 percent one year and yet Total return for the year was 11 percent; the difference would be due to_____.

- A. the tax treatment of capital gains.
- B. the cumulative wealth effect.

- C. dividends.
- D. profits.

ANSWER: B

57. In order to determine the compound growth rate of an investment over some period, an investor would calculate the_____.

- A. arithmetic mean.
- B. geometric mean.
- C. calculus mean.
- D. arithmetic median.

ANSWER: A

58. A major difference between real and nominal returns is that_____.

- A. real returns adjust for inflation and nominal returns do not.
- B. real returns use actual cash flows and nominal returns use expected cash flows.
- C. real returns adjust for commissions and nominal returns do not.
- D. real returns show the highest possible return and nominal returns show the lowest possible return.

ANSWER: B

59. When most people refer to the mean, they are referring to the_____.

- A. median.
- B. arithmetic mean.
- C. geometric mean.
- D. cumulative mean.

ANSWER: B

60. _____is concerned with the interrelationships between security returns.

- A. random diversification.
- B. correlating diversification.
- C. friedman diversification.
- D. markowitz diversification.

ANSWER: D

61. Portfolio weights are found by_____.

- A. dividing standard deviation by expected value.
- B. calculating the percentage each asset is to the total portfolio value.
- C. calculating the return of each asset to total portfolio return.
- D. dividing expected value by the standard deviation.

ANSWER: B

62. In order to determine the expected return of a portfolio, all of the following must be Known except_____.

- A. probabilities of expected returns of individual assets.
- B. weight of each individual asset to total portfolio value.
- C. expected return of each individual asset.
- D. all of the above must be known in order to determine the expected return of a portfolio.

ANSWER: D

63. Which of the following is true regarding the expected return of a portfolio?

- A. It is a weighted average only for stock portfolios.
- B. It can only be positive.

- C. It can never be above the highest individual return.
- D. All of the above are true.

ANSWER: C

64. Company specific risk is also known as_____.

- A. market risk.
- B. systematic risk.
- C. non-diversifiable risk.
- D. idiosyncratic risk

ANSWER: C

65. The relevant risk for a well-diversified portfolio is_____.

- A. interest rate risk.
- B. inflation risk.
- C. business risk.
- D. market risk.

ANSWER: D

66. Which of the following portfolios has the least reduction of risk?

- A. A portfolio with securities all having positive correlation with each other.
- B. A portfolio with securities all has zero correlation with each other.
- C. A portfolio with securities all having negative correlation with each other.
- D. A portfolio with securities all has skewed correlation with each other.

ANSWER: A

67. Portfolio risk is best measured by the_____.

- A. expected value.
- B. portfolio beta.
- C. weighted average of individual risk.
- D. standard deviation.

ANSWER: C

68. Markowitz's main contribution to portfolio theory is_____.

- A. that risk is the same for each type of financial asset.
- B. that risk is a function of credit, liquidity and market factors.
- C. risk is not quantifiable.
- D. insight about the relative importance of variances and co variances in determining portfolio risk.

ANSWER: B

69. Owning two securities instead of one will not reduce the risk taken by an investor if the two securities are_____.

- A. perfectly positively correlated with each other.
- B. perfectly independent of each other.
- C. perfectly negatively correlated with each other.
- D. of the same category, e.g. blue chips.

ANSWER: C

70. The major problem with the Markowitz model is its_____.

- A. lack of accuracy.
- B. predictability flaws.
- C. complexity.

D. inability to handle large number of inputs.

ANSWER: A

71. According to Markowitz, rational investors will seek efficient portfolios because these portfolios are optimal based on_____.

- A. expected return.
- B. risk.
- C. expected return and risk.
- D. transactions costs.

ANSWER: C

72. Under the Markowitz model, investors_____.

- A. are assumed to be risk-seekers.
- B. are not allowed to use leverage.
- C. are assumed to be institutional investors.
- D. all of the above.all of the above.

ANSWER: D

73. The Markowitz model assumes most investors are_____.

- A. risk averse.
- B. risk neutral.
- C. risk seekers.
- D. risk moderators.

ANSWER: A

74. According to Markowitz, an efficient portfolio is one that has the_____.

- A. largest expected return for the smallest level of risk.
- B. largest expected return and zero risk.
- C. largest expected return for a given level of risk.
- D. smallest level of risk.

ANSWER: B

75. Portfolios lying on the upper right portion of the efficient frontier are likely to be chosen by_____.

- A. aggressive investors.
- B. conservative investors.
- C. risk-averse investors.
- D. defensive investors.

ANSWER: B

76. A portfolio which lies below the efficient frontier is described as_____.

- A. optimal.
- B. unattainable.
- C. dominant.
- D. dominated.

ANSWER: A

77. The optimal portfolio is the efficient portfolio with the_____.

- A. lowest risk.
- B. highest risk.
- C. highest utility.

D. least investment.

ANSWER: C

78. Market risk is best measured by the _____.

- A. alpha.
- B. beta.
- C. standard deviation.
- D. coefficient of variation.

ANSWER: D

79. Non systematic risk is also known as _____.

- A. non diversifiable risk.
- B. market risk.
- C. random risk.
- D. company-specific risk.

ANSWER: A

80. An example of a derivative security is _____.

- A. a common share of General Motors
- B. a call option on Mobil stock
- C. a commodity futures contract
- D. B and C

ANSWER: D

81. Under the P/E model, stock price is a product of _____.

- A. EPS and DPS.
- B. P/E ratio and EPS.
- C. EPS and required return.
- D. P/E ratio and required return.

ANSWER: B

82. Book value is _____.

- A. the same as market value.
- B. a more accurate valuation technique than the dividend models.
- C. the accounting value of the firm as reflected in the financial statements.
- D. the same as liquidation value.

ANSWER: C

83. The price to book value ratio tends to be close for _____.

- A. high-tech companies.
- B. banks.
- C. utilities.
- D. service companies.

ANSWER: D

84. _____ shifts the weights of securities in the portfolio to take advantage of areas that is expected to do relatively better than other areas.

- A. portfolio management.
- B. market timing.
- C. momentum strategy.
- D. sector rotation.

ANSWER: B

85. The central issue of efficient markets concerns_____.

- A. regulations.
- B. information.
- C. participants.
- D. structure.

ANSWER: A

86. A bond issue is broken up so that some investors will receive only interest payments while others will receive only principal payments, which is an example of _____.

- A. bundling
- B. un-bundling
- C. financial engineering
- D. B&D

ANSWER: D

87. If a market is inefficient, as new information is received about a security_____.

- A. nothing will happen.
- B. the stock price will fall at first and then later rise.
- C. there will be a lag in the adjustment of the stock price.
- D. there will be negative demand for the stock.

ANSWER: A

88. Weak form market efficiency_____.

- A. implies that the expected return on any security is zero.
- B. incorporates semi-strong form efficiency.
- C. involves price and volume information.
- D. is compatible with technical analysis.

ANSWER: C

89. The highest level of market efficiency is_____.

- A. weak form efficiency.
- B. semi-strong form efficiency.
- C. random walk efficiency.
- D. strong form efficiency.

ANSWER: D

90. The weak form of the EMH is supported if successive price changes over time are_____.

- A. independent of each other.
- B. negative.
- C. positive.
- D. lagged.

ANSWER: A

91. The random walk hypothesis is most related to the_____.

- A. weak-form EMH.
- B. semi strong-form EMH.
- C. semi weak-form EMH.
- D. strong-form EMH.

ANSWER: B

92. If an investor searches for patterns in security returns by examining various techniques applied to a set of data, this is known as_____.

- A. fundamental analysis.
- B. technical analysis.
- C. data mining.
- D. random-walk theory.

ANSWER: B

93. The last step in fundamental analysis is_____.

- A. economic analysis.
- B. industry analysis.
- C. company analysis.
- D. technical analysis.

ANSWER: D

94. The value of a derivative security _____.

- A. depends on the value of the related primitive security
- B. can only cause increased risk.
- C. is unrelated to the value of the related primitive security
- D. is worthless today

ANSWER: A

95. Money market funds were a financial innovation partly inspired to circumvent _____.

- A. Regulation Q, which is no longer in existence
- B. Regulation M
- C. Regulation D
- D. Regulation B, which is still in existence

ANSWER: A

96. The auditor's report is_____.

- A. guarantees accuracy.
- B. guarantees the quality of the earnings.
- C. attests that the statements are a fair presentation of financial position.
- D. all of the above are true.

ANSWER: A

97. Risk lover's utility curves have

- A. Positive slope
- B. Negative slope
- C. Convex to the origin
- D. Negative slope and convex to the origin

ANSWER: C

98. In which of the following sections of a balance sheet are "Inventories" listed?

- A. Current assets.
- B. Property, plant and equipment, at cost.
- C. Current liabilities.
- D. Shareholders' Equity.

ANSWER: A

99. The key item for investors on the income statement is_____.

- A. sales.
- B. gross profit.
- C. operating expenses.
- D. after-tax net income.

ANSWER: D

100. Which of the following represents the rate at which a company can grow from internal sources?

- A. return on assets.
- B. sustainable growth rate.
- C. adjusted EPS.
- D. return on equity.

ANSWER: B

101. The sustainable growth rate of a firm can be calculated as the product of the_____.

- A. return on assets and the return on equity.
- B. dividend payout ratio and leverage.
- C. retention rate and the return on equity.
- D. net profit margin and total sales.

ANSWER: D

102. One way to obtain earnings forecasts is the mechanical procedure known as_____.

- A. cross-reference analysis.
- B. exponential trending.
- C. time series analysis.
- D. data mining.

ANSWER: C

103. I modern investment analysis, the risk for a stock is related to its_____.

- A. leverage factor.
- B. standard deviation.
- C. beta coefficient.
- D. coefficient of variation.

ANSWER: A

104. _____ uses a computer program in an attempt to imitate the brain in analyzing securities.

- A. Decision trees.
- B. Program trading.
- C. Day traders.
- D. Neural networks.

ANSWER: D

105. The difference between the cash price and the futures price on the same asset or commodity is known as the_____.

- A. basis.
- B. spread.
- C. yield spread.
- D. premium.

ANSWER: C

106. Speculators in the futures markets_____.

- A. make the market more volatile.
- B. contribute liquidity to the market.
- C. engage mainly in short sales.
- D. serve no real economic function.

ANSWER: C

107. A major difference between individual and institutional investors is their very different _____.

- A. approaches to market analysis.
- B. evaluations of return.
- C. time horizons.
- D. types of securities held in their portfolios.

ANSWER: A

108. _____ are a way U. S. investor can invest in foreign companies.

- A. ADRs
- B. IRAs
- C. SDRs
- D. GNMAAs

ANSWER: A

109. Investors can normally afford to assume larger risks in the ____ phase of the life- cycle.

- A. accumulation.
- B. consolidation.
- C. spending.
- D. gifting.

ANSWER: B

110. _____ is the most important investment decision because it determines the risk-return characteristics of the portfolio.

- A. Hedging.
- B. Market timing.
- C. Performance measurement.
- D. Asset allocation.

ANSWER: A

111. A model for optimizing the selection of securities is the _____ model.

- A. Miller-Orr.
- B. Black-Sholes.
- C. Markowitz.
- D. Gordon.

ANSWER: C

112. The Markowitz model identifies the efficient set of portfolios, which offers the _____.

- A. highest return for any given level of risk or the lowest risk for any given level of return.
- B. least-risk portfolio for a conservative, middle-aged investor.
- C. long-run approach to wealth accumulation for a young investor.
- D. risk-free alternative for risk-averse investors.

ANSWER: D

113. Which of the following is not normally one of the reasons for a change in an investor's circumstances?

- A. Change in market conditions.

- B. Change in legal considerations.
- C. Change in time horizon.
- D. Change in tax circumstances.

ANSWER: A

114. The material wealth of a society is equal to the sum of _____.

- A. all financial assets.
- B. all real assets.
- C. all financial and real assets.
- D. all physical assets.

ANSWER: C

115. _____ are financial assets.

- A. Bonds
- B. Machines.
- C. Stocks.
- D. Real estate.

ANSWER: B

116. _____ is example of financial intermediaries.

- A. Commercial banks.
- B. Insurance companies.
- C. Insurance companies.
- D. Credit unions.

ANSWER: C

117. Financial intermediaries exist because small investors cannot efficiently _____.

- A. diversify their portfolios.
- B. gather all relevant information.
- C. assess credit risk of borrowers.
- D. advertise for needed investments.

ANSWER: D

118. Firms that specialize in helping companies raise capital by selling securities are called _____.

- A. commercial banks.
- B. investment banks.
- C. savings banks.
- D. credit unions.

ANSWER: D

119. Financial assets _____.

- A. directly contribute to the country's productive capacity.
- B. indirectly to the country's productive capacity.
- C. contribute to the country's productive capacity both directly and indirectly.
- D. do not contribute to the country's productive capacity either directly or indirectly.

ANSWER: A

120. Investment bankers perform the following role _____.

- A. market new stock and bond issues for firms.
- B. provide advice to the firms as to market conditions, price, etc.
- C. design securities with desirable properties.

D. all of the above.

ANSWER: B

121. Investors seeking to avoid actively managing their portfolios will prefer which of the following assets?

- A. Common stock.
- B. Commercial bank deposits.
- C. Financial futures.
- D. Real estate.

ANSWER: B

122. Which of the following short term securities is inappropriate for an individual, desiring funds for financial emergencies?

- A. treasury bills.
- B. certificates of deposit.
- C. financial futures.
- D. savings accounts.

ANSWER: C

123. Asset allocation affects the investor's return by_____.

- A. altering the returns on individual assets.
- B. weighting the portfolio return by the allocation.
- C. assuring diversification.
- D. increasing the investor's use of mutual funds.

ANSWER: B

124. Diversification reduces

- A. Interest rate risk
- B. Market risk
- C. Unique risk
- D. Inflation risk

ANSWER: C

125. Unsystematic risk is_____.

- A. the risk associated with movements in security prices.
- B. reduced through diversification.
- C. higher when interest rates rise.
- D. the risk of loss of purchasing power.

ANSWER: A

126. The expected return on an investment in stock is_____.

- A. the expected dividend payments.
- B. the anticipated capital gains.
- C. the sum of expected dividends and capital gains.
- D. less than the realized return.

ANSWER: D

127. If the dispersion around a security's return is larger_____.

- A. the expected return is smaller.
- B. the standard deviation is smaller.
- C. the stock's price is higher.
- D. the security's risk is higher.

ANSWER: A

128. Another name for stockbrokers is_____.

- A. specialists.
- B. registered representatives.
- C. security analysts.
- D. portfolio managers.

ANSWER: B

129. Investment professionals whose jobs may depend on their performance relative to the market are the_____.

- A. registered representatives.
- B. security analysts.
- C. investment bankers.
- D. portfolio managers.

ANSWER: A

130. One reason for the declining importance of pension funds is the_____.

- A. decrease in pension benefits for workers.
- B. downsizing of U.S. companies.
- C. large number of conversions into self-directed plans.
- D. increasing number of federal regulations that restrict pension fund portfolios.

ANSWER: B

131. Most financial advisors are registered with the Securities and Exchange Commission as_____.

- A. registered representatives.
- B. registered investor advisors.
- C. registered financial planners.
- D. registered securities consultants.

ANSWER: C

132. Underlying all investments is the tradeoff between_____

- A. expected return and actual return
- B. low risk and high risk
- C. actual return and high risk
- D. expected return and risk.

ANSWER: D

133. Mumbai stock exchange was recognized on a permanent basis in_____.

- A. 1950.
- B. 1956.
- C. 1957.
- D. 1965.

ANSWER: C

134. Over the Counter Exchange of India was started after the role model of_____.

- A. NASDAQ.
- B. JASDAQ.
- C. NASDAQ& JASDAQ.
- D. NSE.

ANSWER: C

135. The Accounting period cycle of NSE is_____.

- A. wednesday to next tuesday.
- B. tuesday to next wednesday.
- C. monday to next friday.
- D. wednesday to next wednesday.

ANSWER: A

136. The growth in book value per share shows the_____.

- A. rise in share price.
- B. increase in physical asset of the firm.
- C. increase in net worth.
- D. growth in reserves.

ANSWER: D

137. International investing is_____.

- A. is only practical for institutional investors.
- B. increases the overall risk of a stock portfolio.
- C. always leads to higher returns than a domestic portfolio.
- D. can reduce risk due to increased diversification.

ANSWER: C

138. Mr.A is a daring portfolio manager. He wants to increase the return in his portfolio. He should choose stocks from_____.

- A. defensive industry.
- B. industry at a growth stage.
- C. industry in the maturity period.
- D. industry with more export potential.

ANSWER: B

139. _____ factors lead to activity of stock market.

- A. Money supply.
- B. Per capita income.
- C. Unemployment rate.
- D. Manufacturing and Trade.

ANSWER: A

140. in the weekly efficient market,the stock price reflects,

- A. the company's financial performance
- B. the past price of the scrip
- C. the demand for the scrip
- D. the past price and traded volumes

ANSWER: D

141. one of the statements given below provides evidence for the semi-strongly efficient form.

- A. Low P/E ratio effect
- B. The size effect
- C. Effect on the stock split
- D. Weekend effect

ANSWER: C

142. Investment professionals whose jobs may depend on their performance relative to the market are the_____.

- A. registered representatives
- B. security analysts
- C. investment bankers
- D. portfolio managers.

ANSWER: A

143. A growth industry is defined as _____.

- A. an industry with 15% rate of growth per annum.
- B. an industry where demand for its product is growing.
- C. an industry with high capital investment.
- D. an industry with average growth higher than the growth of the economy.

ANSWER: D

144. In BSE shares are divided into_____.

- A. two categories.
- B. three categories.
- C. four categories.
- D. five categories.

ANSWER: B

145. _____ are examples of financial intermediaries.

- A. Commercial banks
- B. Insurance companies
- C. Investment companies
- D. All of the above

ANSWER: D

146. The largest single institutional owner of common stocks is_____.

- A. mutual funds.
- B. insurance companies.
- C. pension funds.
- D. commercial banks.

ANSWER: D

147. The value of bond depends on _____.

- A. the coupon rate.
- B. years to maturity.
- C. expected yield to maturity.
- D. all the above.

ANSWER: D

148. _____ is equal to (common shareholders' equity/common shares outstanding).

- A. book value per share.
- B. liquidation value per share.
- C. market value per share.
- D. Tobin's Q.

ANSWER: A

149. Corner portfolio are calculated where a
- A. Security enters
 - B. Security leaves
 - C. Security enters or leave
 - D. Security with high extreme value enters

ANSWER: C

150. The relationship between potential unsystematic risk and reward is given by
- A. Excess return to beta ration
 - B. Excess return to security's standard deviation ratio
 - C. Excess return to security's variance ratio
 - D. Excess return to beta square ratio

ANSWER: C

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