TYBMS IAPM SEM V

Multiple Choice Questions

1. An_____is an asset or item that is purchased with the hope that it will generate Income.

a. Investment
b. Savings
c. Mutual Fund
d. None of the Above

2. A_____is a professionally managed income Scheme.

a. Savings
b. Mutual Fund
c. Risk
d. All of the Above

3. _____refers to an investment ready to convert into cash position.

a. Cash
b. Risk
c. Liquidity
d. None of the above

4. _____means transferability of saleability of an assets.

a. Investment
b. Portfolio
c. Risk
d. Marketability

5. A Good_____on an investment is the first and foremost condition for effective investments.

a. Risk
b. Rate of Return
c. Liquidity
d. Interest

6. _____means a combination of financial assets and Physical assets.

a) Security
b) Investments
c) Portfolio
d) Financial Sector

7. Portfolio_____is the process of reviewing of assessing the elements of the entire portfolio of securities or products in a business.

a) Selection
b) Implement
c) Target
d) Analysis

8. Higher_____is associated with greater probability of Higher Returns.

a) Risk
b) Returns
c) Analysis
d) Interest

9. _____assists in the selection of the most efficient by analyzing various possible portfolios of the given securities.

a) Interior Approach
b) Golden Approach
c) Walter Approach
d) Markowitz Approach

10. _____is an alternatives to the single index model.

a) Double Index
b) Single Index
c) Efficient
d) Multi Index Model

11. _____risk is the risk of investments declining in value because of economic development or other events that affects the entire market.

a) Stock
b) Market
c) Return
d) None of the Above

12. _____risk applies when you own foreign investments.

a) Exchange
b) Beta
c) Bid
d) Currency

13. _____risk is the risk of the loss from reinvesting principal or income at a lower interest rate.

a) Investments
b) Risk
c) Returns
d) Reinvestments

14. _____risk is the risk of outliving your savings.

a) Longevity
b) Shortability
c) Medium
d) All of the Above

15. Higher risk is associated with greater probability of higher _____
a) Risk
b) Beta
c) Correlation
d) Return

16. _____risks are associated with low potential returns.
a) Low
b) High
c) Average
d) None

17. The risk return trade off is an important element of_____theory.
a) Old Portfolio
b) Modern Portfolio
c) Markowitz Portfolio
d) None

18. The_____is a result of external and uncontrollable variables.
a) Unsystematic Risk
b) Returns
c) Systematic Risk
d) None

19. _____measures the dispersion of data from its expected value.
a) **Standard Deviation** ;
b) Beta ;
c) Variance ;
d) All of the Above

20. _____measures the amount of systematic risk a security has relative to the whole market.
a) Standard Deviation ;
b) **Beta** ;
c) Variance ;
d) All of the Above

21. _____is a measurement of the spread between numbers in a data set.
a) Standard Deviation ;
b) Beta ;
c) **Variance** ;
d) All of the Above

22. _____is a technique of reducing the risk involved in a portfolio.
a) Diversification;
b) Specification;
c) Different ;
d) None

23. A line that describes the relationship between an individual securities returns and returns on the market portfolios

a) Security Line ;
b) Capital Market Line ;
c) Characteristic Line;
d) Beta

24. The risk free security has beta equal to , while the market portfolios beta is equal to _____

a) Zero ; One
b) One ; More than One
c) One ; Less than One
d) Less than Zero

25. Beta is the Scope of _____

a) Security Market Line ;
b) Capital Market Line ;
c) **Characteristic Line** ;
d) CAPM

26. The risk of loss of money is less in the case of_____instruments.

a) Equity ;
b) Debts ;
c) Both A&B ;
d) None of the Above

27. The Main characteristics of investments are _____

a) Loss;
b) Declined ;
c) Unsafe ;
d) Safety

28. _____beta indicates that security return moves in the opposite direction from the market movements.

a) **Negative** ;
b) Positive ;
c) Zero ;
d) All of the Above

29. _____risk is risk arising from external factors which are macro in nature.

a) Unsystematic ;
b) Risk ;
c) Systematic ;
d) None

30. The art of changing the mix of securities in a portfolio is called as portfolio _____

a) Vision ;
b) **Revision** ;
c) Repeat ;
d) None

31. Portfolio_____is the last step in the process of portfolio management.
a) Valuation ;
b) **Evaluation** ;
c) Revision ;
d) None

32. Portfolio evaluation refers to the evaluation of the_____of the portfolio.
a) Response ;
b) Revaluation ;
c) **Performance** ;
d) None

33. _____index is a ratio of return generated by the fund over and above risk free return during the given period and systematic risk associated with it Beta
a) Sharpe's ;
b) Jenson's ;
c) Portfolio ;
d) Treynor's

34. A portfolio comprises several_____securities.
a) Group ;
b) **Individual** ;
c) Team ;
d) None

35. A bond is a_____instruments.
a) Equity ;
b) Hybrid ;
c) **Debts** ;
d) Commodity

36. The_____of a bond is the price at which the bond is sold to investor when first issued.
a) **Face Value** ;
b) Premium ;
c) Par Value;
d) None

37. The periodic interest payment promised to bond holders are computed as fixed percentage of the bond face value this percentage is known as the _____
a) Premium ;
b) **Coupon Rate** ;
c) Par ;
d) None

38. Many bonds contain a provision that enables the issuer to buy the bond back from the bondholders at a pre-specified price prior to maturity. This Price is Known as_____-
a) Put Price ;
b) Face Value ;

c) Par ;
d) Call Price

39. The rate of interest used to discount the bond cash flow is known as the _____
a) **YTM** ;
b) Coupon Rate ;
c) Par ;
d) None

40. When interest rates are declining, investors have to reinvest their interest income and any returns of principal at lower prevailing rates it is called ____
a) Liquidity Risk ;
b) Reinvestment Risk ;
c) Default Risk ;
d) None

41. The bonds with shorter maturity will have_____duration.
a) Higher ;
b) Medium ;
c) Average ;
d) Lower

42. Face value is the value stated on the face of the bond and is also known as _____
a) **Par Value** ;
b) Market Value ;
c) Redemption Value ;
d) Intrinsic Value

43. _____is the process of adjusting or changing the existing portfolio in accordance with the changes in the financial market.
a) **Portfolio Revision** ,
b) Evaluation ,
c) Analysis
d) None

44. The key dimension of portfolio performance evaluation are_____& _____
a) Return , Risk
b) Passive, Active
c) Positive, Negative
d) None

45. A right to call gives the company to_____ the debentures
a) Sell
b) Buy
c) Buy Back
d) IPO

46. A bond with lower required rate of return as compared to coupon rate will sell in the market at _____
a) Premium

b) Discount
c) Par
d) Face value

47. A bond is said to be issued at premium when
a) Coupon rate > Required returns
b) Coupon rate = Required returns
c) Coupon rate < Required returns
d) None of the above

48. A highly liquid security is a
a) Mutual fund unit
b) Treasury bill
c) Share
d) Commercial paper

49. Profit for the objective of calculating a ratio may be taken as
a) Gross Profit
b) Loss before interest and tax
c) Profit after interest and tax
d) All of the above

50. Which of the following is a current liability
a) Debenture
b) Long term loan
c) Bank overdraft
d) Share premium

51. Which one of the following is shown first when the assets are arranged in the order of their liquidity?
a) Cash in hand
b) Debtors
c) Investment
d) Bills Receivable

52. Acid test ratio is:
a) Current assets: current liabilities
b) Quick assets: current liabilities
c) Total assets: total liabilities
d) Fixed assets: fixed liabilities

53. When the concept of ratio is defined in respected to the items shown in the financial statements, it is termed as
a) Accounting ratio
b) Financial ratio
c) Costing ratio
d) None of the above

54. Banks generally prefer Debt Equity Ratio at :
a) 1:1
b) 1:3

c) 2:1
d) 3:1

55. The degree of solvency of two firms can be compared by measuring
a) Net worth
b) Tangible Net Worth
c) Asset coverage ratio
d) Solvency Ratio.

56. Proprietary ratio is calculated by
a) Total assets/Total outside liability
b) Total outside liability/Total tangible assets
c) Fixed assets/Long term source of fund
d) Proprietor's Funds/Total Tangible Assets

57. Current ratio is 4:1.Net Working Capital is Rs.30,000. Find the amount of current Assets
a) Rs.10,000
b) Rs.40,000
c) Rs.24,000
d) Rs.6,000

58. Quick assets do not include
a) Govt-bond
b) Book debts
c) Advance for supply of raw materials
d) Inventories.

59. Financial leverage means
a) Use of more debt capital to increase profit
b) High degree of solvency
c) Low bank finance
d) None of the above

60. Standard Debt Equity Ratio is:-
a) 1:1
b) 1:3
c) 2:1
d) 3:1

61. Degree of solvency of two firms can be compared by measuring_____.
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b) Tangible Net Worth
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c) Low bank finance
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64. The capital gearing ratio is high for a company. It indicates a position of
a) High debts
b) High preference capital
c) High equity
d) Low debt equity ratio.

65. Proprietary ratio is calculated by
a) Total assets/Total outside liability
b) Total outside liability/Total tangible assets
c) Fixed assets/Long term source of fund
d) Properietors'Funds/Total Tangible Assets.

66. Net profit Ratio shows relationship between net profit and_____.
a) Gross sales
b) Net Sales
c) Sales Return
d) Cost of Sales

67. The standard Current Ratio is_____.
a) 2:1
b) 1:1
c) 3:1
d) 1:1

68. Gross profit Ratio is calculated on the basis of_____.
a) Gross sales
b) Net Sales
c) Purchases
d) Salaries

69. EPS refers to_____.
a) Earning per share
b) Expenses per Share
c) Earning per Stock
d) None of the above

70. Return on Investment ratio shows the relationship between companies profit and_____.
a) Total Investment
b) Total Sales
c) Total Debt
d) None of the above

71. Average stock is calculated on the basis of_____.
a) Opening Stock and Closing Stock
b) Closing Stock
c) Both a & b
d) None of the above

72. Price Earnings Ratio is calculated on the basis of_____.
a) MPS & EPS
b) Face Value & MPS
c) Face value and EPS
d) None of the above

73. The efficient market hypothesis, popularly known as_____, claims that current stock prices fully reflect available information about the value of the firm.
a) Random walk theory
b) Dow theory
c) Elliot wave theory
d) None of the above

74. The efficient-market hypothesis was developed by_____.
a) Dow Jones
b) Eugene Fama
c) R.N.Elliot
d) Markowitz

75. According to Dow the market is always considered as having_____movements.
a) One
b) Three
c) Five
d) Four

76. The Dow Theory has evolved into a primary_____approach to the stock market.
a) Technical
b) Fundamental
c) Market
d) None of the above

77. The Dow Theory employs_____of the Dow Jones averages.
a) Three
b) Two
c) One
d) Four

78. If Dow Jones Transportation Average and Dow Jones Industrial Average, both averages are rising, it indicates_____market.
a) Bull
b) Uncertain
c) Bear
d) Risky

79. _____trend is the smallest trend.
a) Primary
b) Secondary
c) Minor
d) Major

80. _____theory states that stock prices move in waves.
a) Dow Jones
b) Elliot's
c) Efficient market
d) Charles H.

81. Corrective patterns are also called as_____.
a) Basic waves
b) Correlate waves
c) Reaction Waves
d) Co-ordinate waves

82. _____is the largest trend as per Dow jones theory.
a) Minor trend
b) Secondary Trend
c) Primary trend
d) Intermediate trend

83. _____is popularly known as random walk Theory
a) Efficient Market theory
b) Dow theory
c) Elliot wave theory
d) None of the above

84. _____is father of Wave Theory.
a) Ralph Nelson Elliot
b) Charles Dow
c) Charles H
d) Greiner

85. Market Risk is also called _____
a) Unique risk and non-diversifiable risk
b) Non-diversifiable risk and systematic risk
c) Systematic risk and diversifiable risk
d) Systematic risk and unique risk

86. According to the CAPM, overpriced securities have:
a) Negative alphas
b) Zero alphas
c) Negative beta
d) Positive alphas

87. The market portfolio has a beta of:
a) 2.0
b) **1.0**
c) 0.5
d) 0.0

88. According to security market line, the expected return of any security is a function of:
a) Total risk
b) Systematic risk
c) Unsystematic risk
d) Diversified risk

89. Capital Market Line (CML) is the_____line drawn from the point of the risk-free asset to the feasible region for risky assets.
a) Tangent
b) Horizontal
c) Vertical
d) Parallel

90. The expected return on a security can be calculated using the following CAPM formula:
a) ER = Rf + β (Rm −Rf)
b) ER = Rf + β (Rm + Rf)
c) ER = Rm + β (Rm + Rf)
d) ER = Rf + (Rm x Rf)

91. _____is a line that is used to show the rate of return and level of risk for portfolio.
a) Capital Market Line
b) Security Market Line
c) the Opportunity Line
d) None of the above

92. The formula for calculating Expected Rate of Return of Portfolio using CAPM is:
a) Expected Return on Portfolio = $\frac{\text{Market Price – Initial Price + Dividend}}{\text{Initial Price}}$ X 100
b) Expected Return on Portfolio = $\frac{\text{Initial Price – Market Price + Dividend}}{\text{Initial Price}}$ X 100
c) Expected Return on Portfolio = $\frac{\text{Market Price – Initial Price + Dividend}}{\text{Market Price}}$ X 100
d) Any of the above

93. Capital asset pricing theory asserts that portfolio returns are best explained by:
a) Specific risk
b) Diversification
c) Economic factors
d) Systematic risk

94. Which of the following statements about the market portfolio is false?

a) The market portfolio contains both systematic and unsystematic risk

b) The market portfolio lies on the capital market line

c) The market portfolio lies on the security market line

d) The market portfolio includes all risky assets in the world

95. The capital market theory is a major extension of the portfolio theory of_____.

a) Markowitz

b) Lintner

c) Sharpe

d) None of the above

96. The capital market line equation can be written as follows:

a) $\mathbf{E(R_c) = R_F + SD_c \frac{E(R_M) - R_F}{SD_M}}$

b) $R(E_c) = R_F + SD_c \frac{E(R_F) - R_F}{SD_M}$

c) $E(R_c) = SD_F + SD_c \frac{E(R_M) - R_F}{SD_F}$

d) $E(F_c) = R_F + SD_c \frac{SD_M}{E(R_M) - R_F}$

97. Return and_____are two important characteristics of every investment.

a) Risk

b) Profit

c) Loss

d) None of these

98. The_____mix of an investment portfolio determines its overall return.

a) Investment

b) Asset

c) Capital

d) Return

99. A portfolio comprises several_____securities.

a) Mix

b) Individual

c) Huge

d) None of these.

100. Portfolio evaluation refers to the evaluation of the_____of the portfolio.

a) Performance

b) Asset

c) Risk

d) none of these