Sheth TJ Education Society's
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Class: TYBBI Sem VI

Q1] Multiple Choice Questions.

1. This type of risk is avoidable through proper diversification?
    a. Portfolio Risk
    b. Systematic risk
    c. Unsystematic risk
    d. Total risk
2. A statistical measure of the degree to which two variables move together.
    a. Coefficient
    b. Variance
    c. Covariance
    d. Certainty equivalent
3. An aggressive common stock would have a beta.
    a. Equal to zero
    b. Greater than one
    c. Equal to one
    d. Less than one
4. A line that describes the relationship between an individual securities returns and return on the market portfolio.
    a. Characteristic line
    b. Security market line
    c. Capital market line
    d. Beta
5. The risk free security has a beta equal to while the market portfolios beta is equal to
    a. One, more than one
    b. One: less than one
    c. Zero, one

    d. Less than zero: more than zero
6. According to the capital-asset pricing model (CAPM), a security's expected return is equal to the risk free rate plus a premium.
    a. Equal to security's beta
    b. Based on the unsystematic risk of the security
    c. Based on the total risk of security
    d. Based on the systematic risk of the security
7. Carries has certainty equivalent to a risky gambles expected value that is less than the gambles expected value. Carries shows:
    a. Risk aversion
    b. Risk preferences
    c. Risk indifference
    d. A strange outlook on life
8. Beta is the slop of:
    a. The security market line
    b. The capital market line
    c. A characteristic line
    d. The CAPM
9. A measure of risk per unit of expected return
    a. Standard deviation
    b. Coefficient of variation
    c. Correlation coefficient
    d. Beta
10. The greater the beta the of the security involved:
    a. Greater the unavoidable risk
    b. Greater the avoidable risk
    c. Less the unavoidable risk
    d. Less the avoidable risk
11. The fundamental analysis is a method of finding out
    a. Ratios
    b. Value of a share
    c. Tips
    d. Future price of a security.
12. Which analysis provides a simplified picture of price behavior of a share?
    a. Fundamental
    b. Technical

c. Ratio
d. Funds flow.

13. Return on investment is determined by
    a. Net profit
    b. Capital employed
    c. Net worth
    d. Net profit and capital employed
14. Investors who use technical analysis, start checking the market action of the share if it is ____
    a. favorable
    b. unfavorable
    c. desirable
    d. profitable
15. Which analysis provides a simplified picture of price behavior of a share?
    a. Fundamental
    b. Technical
    c. Financial
    d. Any
16. Technical analysts believe that the price of a share depend upon in the stock market.
    a. Supply
    b. Demand
    c. Demand and supply
    d. Volume
17. The opportunity line is the:
    a. set of all portfolios with the same expected rate of return but different standard deviations
    b. set of portfolios among which the investor is indifferent
    c. set of investment opportunities made available by mixing a risky asset and a risk-free asset
    d. set of investment opportunities made available by mixing two risky assets
18. Consider a graph with standard deviation on the horizontal axis and expected return on the vertical axis. The line that connects the risk free rate and the optimal risky portfolio is called:
    a. the security market line

b. the characteristic line
c. the capital market line
d. the indifference curve

19. 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

20. Suppose you estimate the characteristic line for Stock X. You find that the standard deviation of X's error term is 7%, X's beta is 1.4, and the standard deviation of the market is 12%. What is the total standard deviation for Stock X?
    a. 19.0%
    b. 18.2%
    c. 30.5%
    d. 15.8%
    e. 23.8%

21. The risk-free rate for the next year is 3%, and the market risk premium is expected to be 10%. The beta of Acme's stock is 1.5. If you believe that Acme's stock will actually return 18.2% over the next year, then according to the CAPM you should:
    a. buy the stock because it is under priced
    b. sell the stock because it is under priced
    c. sell the stock because it is overpriced
    d. be indifferent between buying and selling the stock
    e. buy the stock because it is overpriced

22. Stock A has a beta of 1.0 and very high unique risk. If the expected return on the market is 20%, then according to the CAPM the expected return on Stock A will be:
    a. more than 20% because of Stock A's very high unique risk
    b. at least 20% .if the investor holds only Stock A
    c. the answer cannot be found without knowing Stock A's correlation or covariance with the market
    d. exactly 20%
    e. the answer cannot be found without knowing the risk-free rate of interest

23. The beta of the market portfolio is:

a. 0.5
b. O
c. -1.0
d. 1.0

24. If an asset's expected return plots above the security market line, the asset is:
   a. under-priced
   b. overpriced
   c. fairly priced (if it has an unusually large amount of unique risk)
   d. both the first and third answers

25. Which one of the following is true?
   a. Alpha is the slope of the characteristic line
   b. Alpha is the slope of the opportunity line
   c. Beta is the slope of the capital market line
   d. All of the above

26. The market risk premium is 15 % and the risk-free rate is 6%, The beta of Asset D is 0.2. What is Asset D'S expected return under the CAPM?
   a. 20%
   b. 30%
   c. 7%
   d. 3%
   e. 8%

27. The market risk premium is the slope of:
   a. the capital market line
   b. the efficient frontier
   c. the characteristic line
   d. the opportunity line
   e. the security market line

28. According to the CAPM, overpriced securities have:
   a. negative alphas
   b. zero alphas
   c. negative betas
   d. positive alphas
   e. zero betas

29. The beta of the risk-free asset is:
   a. 2.0

b. 1.0
c. O
d. 0.5

30. Capital asset pricing theory asserts that portfolio returns are best explained by:
    a. specific risk
    b. diversification
    c. economic factors
    d. systematic risk
31. The market portfolio has a beta of:
    a. -1.0
    b. 2.0
    c. 1.0
    d. 0.5
    e. 0.0
32. 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. diversifiable risk
    e. unique risk
33. According to the capital market line, the expected return of any efficient portfolio is a function of:
    a. systematic risk
    b. unsystematic risk
    c. total risk
    d. beta
    e. unique risk
34. 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
e. The market portfolio is on the efficient frontier

35. _______ is also important factor to be considered while making an investment
    a. Productivity
    b. Marketability
    c. Transferability
36. All personal investments are designed to achieve certain _____
    a. Risks
    b. Objectives
    c. benefits
37. A _____is the employment of funds with the aim of getting return on it.
    a. Risk
    b. Investment
    c. Gambling
38. Investors who look for a chance to make money fast are known as ______
    a. Business man
    b. Speculators
    c. depositor
39. _______ is a tax saving investment
    a. Shares
    b. Deposits
    c. PPF
40. ______refers to appreciation of investment

a. Capital Growth,

b. Risk

c. Liquidity

41. The term retail investors means ____investors

a. Individual

b. Collective

c. both

42. _______Investors consider security more important than risk.

a. Active

b. Passive

c. Aggressive

43. The ______ objective is to maximize the utility of terminal wealth.

a. Shareholders,

b. Customers

c. investors

44. _______is the one of the part of the investment proves

a. Asset collection

b. Asset Allocation

c. Debt collection

45. NASDAQ is an ______ stock exchange

a. Indian

b. American

c. Japnes

46. Liquidity means marketability of an _________

a. Assets

b. Investment

c. stock

47. NASDAQ is founded in ______

a. 1981

b. 1971

c. 1961

48. ______market is predominantly an over night market

a. Money

b. Call Money

c. short money

49. A________is an intermediary to facilitate investment in different markets & securities.

a. Mutual Fund

b. fixed deposits

c. both

50. NSDL is India’s largest central securities depository based in _____

a. Delhi

b. Mumbai

c. Kolkata