

SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT

TYBBI SEM –VI

SAMPLE QUESTIONS

1. Interest rate risk is a type of

- a) Credit risk
- b) Market risk
- c) Operational risk
- d) All the above

2. In an inflationary trend, the pricing of the bank products are:

- a) Decreasing trend
- b) Constant
- c) Increasing trend
- d) No relevance

3. If two variables do not have a strong (linear) relationship, the correlation coefficient between the two variables will be closest to:

- (a) 0
- (b) -1
- (c) +1
- (d) More than 1

4. Which of the following is considered an institutional investor?

- (a) Accredited investor
- (b) Sovereign wealth fund
- (c) Separately managed account
- (d) Individual Investor

5. A fund manager's alpha is that part of the fund's return that can be attributed to:

- (a) the market
- (b) skill
- (c) luck
- (d) None of the above

6. The risk that securities cannot be sold at a reasonable price on short notice is called

- (a) Default risk.
- (b) Interest-rate risk.
- (c) Purchasing-power risk.
- (d) Liquidity risk.

7. The risk of loss because of fluctuations in the relative value of foreign currencies is called

- a) Expropriation risk.
- b) Multinational beta.
- c) Exchange rate risk.
- d) Undiversifiable risk.

8. The returns on two stocks can be correlated in values except those that are

- a) Positive.
- b) Negative.
- c) Neutral.
- d) Skewed.

9. A measure that describes the risk of an investment project relative to other investments in general is the

- a) Coefficient of variation.
- b) Beta coefficient.
- c) Standard deviation.
- d) Expected return

10. Which one of the following would have the least impact on a firm's beta value?

- a) Debt-to-equity ratio.
- b) Industry characteristics.
- c) Operating leverage.
- d) Payout ratio.

11. Which of the following statements is FALSE?

- A. During performance evaluation, the investor focuses only on assessing the progress toward the achievement of investment objectives.
- B. Tactical allocation is a short-term decision and strategic allocation is a long-term decision.

C. The three main steps in the portfolio process are Planning, Execution, and Feedback.

D. A portfolio manager creates an Investment Policy Statement to communicate clearly with the client and to set expectations.

12. Market value of shares is decided by _____.

A. the respective companies

B. the investment market

C. the government

D. shareholders

13. Risk on a stock portfolio which can be reduced by placing it in diversified portfolio is classified as

A. stock risk

B. portfolio risk

C. diversifiable risk

D. market risk

14. Prices of bonds will decrease if an interest rates _____

A. rises

B. declines

C. equals

D. none of above

15. Risk in which value of investment depends on what happens to foreign exchange rates is classified as

A. preferred risk

B. exchange rate risk

C. country risk

D. foreign risk

16. Price per ratio is divided by cash flow per share ratio which is used for calculating

A. dividend to stock ratio

B. sales to growth ratio

C. cash flow to price ratio

D. price to cash flow ratio

17. The measure of business risk is _____.

- A. operating leverage
- B. financial leverage
- C. total leverage
- D. working capital leverage

18. _____ 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