



BRAINWARE UNIVERSITY

Term End Examination 2021 - 22
Programme – Master of Business Administration
Course Name – Investment Analysis and Portfolio Management
Course Code - FM301
(Semester III)

Time : 1 Hr.15 Min.

Full Marks : 60

[The figure in the margin indicates full marks.]

Group-A

(Multiple Choice Type Question)

1 x 60=60

Choose the correct alternative from the following :

- (1) Which of the following is a not a tax saving investment?

a) Fixed Deposits	b) Shares
c) NSC	d) PPF
- (2) Objective of portfolio is to reduce-

a) Return	b) Risk
c) Return Uncertainties	d) Percentage
- (3) Which one is uncontrollable risk of the company

a) Labor problem	b) Increase in loan service charges
c) Cut in subsidy	d) Technological obsolescence
- (4) As per constant growth model, dividend of next year is 20%. Required rate of return is 10% and growth rate is 15%. Market price will be-

a) Rs.50	b) Rs.55
c) Rs.45	d) Rs.40
- (5) Aggressive portfolio will mean

a) 60:40	b) 10:30
c) 40:60	d) 50:50
- (6) Speculator is a person who-

a) Evaluates performance of the company	b) Uses his own fund only
c) Willing to take high risk for high return	d) Considers here says and market behavior
- (7) If return from the portfolio is R_i , return from riskless asset is R_f , return from market is R_m is the systematic risk of the portfolio, excess return to beta ratio is

a) $(R_i - R_f) / \beta$	b) $(R_i - R_m) / \beta$
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- c) $(R_m - R_f) / \beta$ d) $(R_f - R_i) / \beta$
- (8) Following assets are evaluated on the basis of liquidity. Most liquid among them is-
- a) Investment b) Cash in Hand
c) Debtors d) Bills receivables
- (9) Markowitz approach has roots in-
- a) Good portfolio management b) Proper entry in and exit from the market
c) Estimation of stock return d) Analyzing risk and return related to stock
- (10) Highly liquid security is-
- a) Mutual fund units b) Treasury bills
c) Shares d) Commercial papers
- (11) Clearing and settlement operation of NSE is carried out by-
- a) National security Depository Ltd. b) State Bank of India
c) National security clearing co-operation d) By exchange itself
- (12) Jensen's performance index gives importance
- a) To the asset combination b) Professional management
c) Market condition d) Predictive ability of the manager
- (13) The most actively traded money market security is
- a) Treasury bills b) Banker's acceptance
c) Certificate of deposits d) Common stock
- (14) Voting of common stock gives minority shareholders the most representation on the Board of Directors
- a) Majority b) Cumulative
c) Rights d) Proxy
- (15) Commercial paper is a short-term security issued by _____ to raise funds
- a) Central Bank b) Commercial Bank
c) Large companies d) NSE stock exchange
- (16) Which one is true for a bond
- a) It earns dividend b) It earns interest
c) Interest rate is uncertain d) No interest is paid when there is a loss
- (17) Most favourable portfolio is proficient portfolio with the
- a) Lowest Risk b) Highest Risk
c) Highest utility d) Least Investment
- (18) Which of the following items might result in dilution of a company's earnings per share at present
- a) Convertible bonds b) Warrants
c) Stock options issued as incentive to top executives d) All of these
- (19) A person has purchased treasury bills since-
- a) The returns are certain b) Minimum variation in the return
c) The return is certain and the variation is nil d) There is assurance of full payment of principle
- (20) Dow theory is to-
- a) Identify head and shoulder patterns b) Identify breakaway points

- c) Identify resistance levels
d) Identify long-term trends
- (21) If return is high then usually
a) Risk will be low
b) Risk will be high
c) Risk will be at par with other security
d) All are equally probable
- (22) What are bonds that usually pay fixed periodic interest instalments called
a) Coupon rate
b) Current income
c) Collaterals
d) Secured Bonds
- (23) Which one of the following occurs due to change in the maturity of Bond
a) Debt Instrument
b) Interest rate Risk
c) Liquidity Risk
d) Price changes
- (24) A company has a beta of 1.5. The expected return is 15%. The risk free rate of interest is 5%. What is the market return?
a) 0.0667
b) 0.1033
c) 0.1166
d) 0.1233
- (25) A person has purchased two shares X and Y. It will eliminate risk if
a) $r=+0.2$
b) $r=-1$
c) $r=0$
d) $r=0.1$
- (26) Is defined as a series of constant periodic cash flows which continues for an indefinite time period.
a) Discounting
b) Compounding
c) Annuity
d) Perpetuity
- (27) Which of the following is not a pre-requisite for a perfectly developed financial market?
a) Low transaction Costs.
b) High information Asymmetry
c) Large number of intermediaries
d) Free entry and exit.
- (28) Is a contract between two parties whose value is derived from an underlying asset and the delivery is on a future predetermined date,
a) Mutual fund
b) Derivative
c) Life Insurance
d) Fixed deposits
- (29) A market where a company goes to the public for the first time to raise long term equity is known as-
a) Bonus offer
b) Right offer
c) Stock split
d) Initial Public Offering
- (30) is a process through which demand for equity shares proposed to be issued is solicited through a "Red Herring Prospectus" using a price band comprising ceiling and floor price.
a) Book building process
b) Green Shoe Option
c) Listing
d) Share Buyback
- (31) Which of the following is an advantage of listing?
a) Excessive speculation
b) Disclosed vital information
c) Real time valuation
d) Fear of take over
- (32) Which of the following is not an industry factor in fundamental analysis?
a) Top Management Analysis
b) Demand Supply Analysis
c) Entry Barriers
d) Government Policy

- (33) The term SML will mean
- a) Secured Market Line
 - b) Stock Market line
 - c) Sensex market line
 - d) Security Market Line
- (34) Which one of the following is not a money market instrument/
- a) Treasury Bills
 - b) Commercial paper
 - c) Preference share
 - d) Banker's acceptance
- (35) An index computed from a simple average of returns is a/an _____.
- a) Equal weighted Index
 - b) Value weighted Index
 - c) Price weighted Index
 - d) Share weighted Index
- (36) A tax free bond has yield of 3.2%. What is equitable yield of taxable bond, if tax rate is 35%.
- a) 0.032
 - b) 0.0368
 - c) 0.0492
 - d) 0.05
- (37) Which one of the following is used to back international sales of goods and services?
- a) Certificate of Deposits
 - b) Baker's Acceptance
 - c) Eurodollars deposits
 - d) Commercial papers
- (38) Eurodollars are.....
- a) Dollar denominated deposits at any foreign bank or foreign branch of American Bank
 - b) Dollar denominated bonds issued by firms outside their home market
 - c) Currency issued by Euro Disney and traded in France
 - d) Dollars that wind up in banks as a result of money laundering activities
- (39) A table that demonstrate association among price of a good and quantity supplied is
- a) Demand schedule
 - b) Supply schedule
 - c) Demand
 - d) Supply
- (40) Net wealth of the aggregate economy is equal to the sum of
- a) All real assets
 - b) All financial assets
 - c) all physical assets
 - d) All real and financial assets
- (41) Financial assets-
- a) Contributes to the country's productive capacity
 - b) Do not contribute to the country's productive capacity
 - c) Directly Contributes to the country's productive capacity
 - d) Indirectly contribute to the country's productive capacity
- (42) In words, the real rate of interest is approximately equal to
- a) The nominal rate times the inflation rate.
 - b) The inflation rate minus the nominal rate.
 - c) The nominal rate minus the inflation rate.
 - d) The inflation rate divided by the nominal rate
- (43) An investment provides a 3% return semi-annually, its effective annual rate is
- a) 0.03
 - b) 0.06
 - c) 0.0606
 - d) 0.0609
- (44) Which of the following statements regarding risk-averse investors is true?
- a) They only accept risky investments that offer risk premiums over the risk-free rate.
 - b) They accept investments that are fair games.
 - c) They only care about rate of return.
 - d) They are willing to accept lower returns and high risk
- (45) All things equal, diversification is most effective when...

- a) Securities' returns are positively correlated
c) Securities' returns are high
- b) Securities' returns are uncorrelated
d) Securities' returns are negatively correlated.
- (46) When an investment opportunity set is formed with two securities that are perfectly negatively correlated, the global minimum variance portfolio has a standard deviation that is always.....
- a) Equal to zero.
c) Equal to the sum of the securities' standard deviations
- b) Greater than zero.
d) Equal to -1.
- (47) An investor who wishes to form a portfolio that lies to the right of the optimal risky portfolio on the Capital Allocation Line must....
- a) Lend some of her money at the risk-free rate and invest the remainder in the optimal risky portfolio.
c) Such a portfolio cannot be formed
- b) Borrow some money at the risk-free rate and invest in the optimal risky portfolio
d) Invest only in risky securities
- (48) 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) 0.158
c) 0.19
- b) 0.305
d) None of these
- (49) 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) sell the stock because it is under priced
c) buy the stock because it is overpriced
- b) sell the stock because it is overpriced.
d) buy the stock because it is under priced
- (50) 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) at least 20% if the investor holds only Stock A
c) exactly 20%
- b) more than 20% because of Stock A's very high unique risk
d) the answer cannot be found without knowing the risk-free rate of interest
- (51) The market risk premium is 15% and the risk-free rate is 5%. The beta of Asset D is 0.2. What is Asset D's expected return under the CAPM?
- a) 0.070000000000000001
c) 0.08
- b) 0.03
d) 0.3
- (52) Capital asset pricing theory asserts that portfolio returns are best explained by:
- a) diversification.
c) specific risk.
- b) economic factors
d) systematic risk
- (53) The market risk, beta, of a security is equal to
- a) the covariance between the security's return and the market return divided by the variance of the market's returns.
c) the variance of the security's returns divided by the covariance between the security and market returns.
- b) the covariance between the security and market returns divided by the standard deviation of the market's returns.
d) the variance of the security's returns divided by the variance of the market's returns.
- (54) Where is the New York Stock Exchange located?
- a) Wall Street
b) Broadway

c) Empire State Building

d) Times Square

(55) Which of the following might be a reason for a stock market to lose value suddenly?

a) A big company going bankrupt

b) Fear of a global recession

c) A terrorist attack

d) All of these

(56) In regression of capital asset pricing model, an intercept of excess returns is classified as

a) Sharpe's reward to variability ratio

b) tenor's reward to volatility ratio

c) Jensen's alpha

d) tenor's variance to volatility ratio

(57) Investment in economics is-

a) Income - Savings

b) Income – Consumption

c) Saved money deposited in the bank

d) Money Borrowed for production

(58) Decision under risky situation will occur if-

a) Number of alternative situations are not unique but limited

b) Number of alternative situations are unlimited

c) Number of alternative situations are limited

d) Number of alternative situations and their probabilities are known.

(59) Shares is an investment opportunity. It has following properties

a) Ownership of the company

b) Enjoys periodic interest

c) Enjoys fixed guaranteed profit

d) No voting right

(60) In valuation of equity at constant dividend capitalization method symbol 'I' in $V=D/L$ formula indicates-

a) Average interest paid by company on borrowed fund.

b) Average dividend rate of other companies in same industry

c) cost of equity of the company

d) None of them