

Question	A	B	C	D	
_____ refers to combined holding of multiple securities.	Portfolio	Gambling	Both A and B	None of the above	
Most investors are ___ averse.	profit	risk	risk free	None of the above	
An investor who is not concerned with the level of risk involved in an investment is known as risk_ _____ investor.	averse	taking	indifferent	All of the above	
_____ activity is indulged into not for returns but for mere reason of fun and satisfying habit of taking risk and adventure.	speculation	Gambling	investment	All of the above	
T-bills are issued by__.	RBI	SBI	BOI	All of the above	
Investment means current commitment of funds for a period of time in order to derive a future flow of funds that will compensate investor for _____.	the time the funds are committed	for expected rate of inflation	for uncertainty involved in future flow of funds	all of the above	
Construction of extra floors to factory building is an example of _____ investment.	Financial	Economic	group	none of the above	
Depositing money in fixed deposit is an example of _____ investment.	Financial	Economic	group	none of the above	
Most investors are risk__.	averse	taking	indifferent	any of the above	
Investors who invest in risky securities to satisfy their urge to take risk are known as risk _____ investors.	averse	taking	indifferent	any of the above	
A well planned activity of committing funds with the aim of achieving returns is referred to as _____.	speculation	investment	gambling	any of the above	
An activity involving high risk taken to achieve high capital gains in short duration is known as _____.	speculation	investment	gambling	any of the above	
An activity involving high risk without expecting high returns is known as _____.	speculation	investment	gambling	any of the above	
Mr. X is a risk-averse investor. Mr. Y is a less risk-averse investor as compared to Mr. Y, therefore,_____.	for the same risk, Mr. Y requires a higher rate of return as compared to Mr. X.	for the same returns, Mr. X tolerates higher risk as compared to Mr. Y.	for the same returns, Mr. Y tolerates higher risk as compared to Mr. X.	for the same risk, Mr. X requires a lower rate of return as compared to Mr. Y.	
Question	A	B	C	D	
Holding period returns converted into 12 months period are known as _____ returns.	annualised	Expected	Future	None of the above	
Total of probability of various outcomes is always equal to _____.	two	one	zero	None of the above	
_____ is referred to as the chance that the actual outcome from an investment will differ from the expected outcome.	risk-return	profit	risk	All of the above	
A risk that affects the whole economic system is known as _____ risk.	Unsystematic	Systematic	Both (a) & (b)	All of the above	

Indifference curve shows _____ indifference for an investor.	risk-return	risk	profit	All of the above		
_____ returns are the total returns earned by an investor during the time period for which the investment is held.	Holding period	Annualised	Expected	Future		
The holding period return (HPR) of an investment is equal to_____.	capital gains on the investment over the period plus the inflation rate.	capital gains on the investment over the period plus the dividend yield.	risk free rate plus the risk premium.	none of the above.		
Probability of an event that has no chance of occurrence is always _____.	one	zero	between (a) & (b)	High		
Risk is a situation where possible outcomes are _____.	highly certain	certain	uncertain	Normal		
Risk is associated with _____ returns.	past	present	future	none of the above		
_____ is a measure of risk.	Range	Variance	Standard Deviation	All of the above		
_____ is best measure of total risk.	Range	Variance	Standard Deviation	All of the above		
_____ risk is avoidable risk.	Systematic	Unsystematic	Both (a) & (b)	None of the above		
Internal business risk is a source of _____ risk.	Systematic	Unsystematic	Both (a) & (b)	None of the above		
_____ is not a source of systematic risk.	Interest rates	Business cycle	Inflation rate	Personnel changes		
Most investors are risk_____.	averse	taking	indifferent	any of the above		
Investors who invest in risky securities to satisfy their urge to take risk are known as risk _____ investors.	averse	taking	indifferent	any of the above		
An unsystematic risk is the one which can be eliminated but the market risk is the _____ risk.	ineffective	effective	remaining	Aggregate		

Question	A	B	C	D		Solution
_____ refers to a combination of various assets in which investors can invest their money instead of investing in one single security.	Portfolio	standard deviation	Share Market	None of the above		
_____ reduction is the primary objective of portfolio management.	risk	return risk	Both A and B	None of the above		
A correlation of +1 is known as _____ correlation.	zero	perfect positive	perfect negative	None of the above		
A correlation of -1 is known as _____ correlation.	perfect positive	perfect negative	zero	All of the above		
When correlation of two securities is _____ they are said to have no correlation amongst themselves.	perfect negative	perfect positive	zero	All of the above		

Standard deviation of a portfolio consisting of four securities will have number of coefficient of correlations in its calculation.	five	six	seven	eight		
Returns of two securities with a correlation of _____ will be totally inversely proportional to each other.	-1		1	0	None of the above	
_____market line can also be said to be graphical representation of Markowitz mean variance model of portfolio construction.	Share	Capital	Equity		None of the above	
The standard deviation of a portfolio that has 30% of its value invested in a risk-free asset and 70% of its value invested in a risky asset with a standard deviation of 15% is _____%.		10.2	10.5	10.4	10.1	
A portfolio consisting of security A, B & C with expected returns of 15%, 18% and 10% and weightage of 20%, 50% and 30% will have expected returns of _____%.		14	13	15	16	
_____is/are the objective(s) of portfolio management.	Maximising returns	Minimising risk	Liquidity		All of the above	
An investment portfolio should ideally be_____.	tailor-made as per investor's requirement.	standardised for all investors	(a) or (b)		none of the above	
Portfolio returns are equal to_____of returns of securities in the portfolio.	simple mean	weighted mean	median		mode	

Question	A	B	C	D		
As per capital asset pricing model, a measure of systematic risk is known as _____.	Beta	Capital	Aggregate	None of the above		
_____market line is graphical representation of capital asset pricing model.	Capital	Security	Beta	Aggregate		
As per capital asset pricing model, market beta is always_____.	One	Zero	positive	All of the above		
As per capital asset pricing model, beta of risk free securities is always_____.	One	negative	Zero	All of the above		

As per capital asset pricing model, returns of a diversified portfolio will not have _____ risk.	company specific	Unsystematic	unique	systematic		
The risk that cannot be avoided even by the most diversified portfolios is known as risk.	company specific	unsystematic	unique	systematic		
Market risk can also be termed as _____ risk.	systematic, diversifiable	unique, non-diversifiable	systematic, non-diversifiable	unique, diversifiable		
The risk that can be diversified away is risk.	company specific	unsystematic	(a) & (b)	systematic		
Beta reflects the stock risk for investor which is usually _____.	collective	individual	linear	weighted		
As per capital asset pricing model, beta is a measure of _____ risk.	company specific	unsystematic	total	systematic		
_____ market line divides required returns on a stock into risk free rate and risk premium.	Capital	Security	Aggregate	Beta		
In capital asset pricing mode, the covariance between stock and market is divided by variance of market returns to calculate _____ of the company.	mean returns	sales turnover	variance	beta		
As per capital asset pricing model, securities that lie on security market line are _____ valued.	correctly	over	under	not		

Question	A	B	C	D		
Inputs required for Markowitz model for a portfolio consisting of 'n' securities are _____.	$2n + [n(n-1)] / 2$	$3n + [n(n-1)] / 3$	$4n + [n(n-1)] / 2$	$n + [n(n-1)] / 1$		
Inputs required for Single Index model for a portfolio consisting of 'n' securities are _____.	$3n + 2$	$n + 2$	$3n + 3$	$3n + 1$		
For a portfolio consisting of 30 securities, inputs required for Markowitz model would be _____.	462	463	464	465		
For a portfolio consisting of 50 securities, inputs required for Single Index model would be _____.	150	151	152	153		

Residual variance for market is _____.	Zero	Negative	Positive	None of the above		
An undervalued security will have _____ alpha.	Zero	Positive	Negative	None of the above		
Single Index model classifies risk under _____ and _____.	Known, unknown	Systematic, Unsystematic	Real, Notional	All of the above		
Single index model is based on _____ concept.	Regression	Interpolation	Extrapolation.	None of the above		
Single index model is based on _____ paring of securities.	Direct	Quick	Index	None of the above		
Portfolio alpha is _____ of security alpha.	Total	Difference	Simple average	Weightage average		

Question	A	B	C	D		
According to APT, relationship between a risk factor and security is known as _____.	Beta	Gamma	Alpha	Theta		
According to APT, returns earned by a security if there is no change in risk levels of macro economic variables is known as _____ returns.	Risk premium	Risk free returns	Both (a) & (b)	None of the above		
As per APT, transaction cost in markets is _____.	Small	Large	Zero	negative		
As per APT, extra returns due to change in risk factor is known as _____.	Risk free returns	Risk premium	Both (a) & (b)	None of the above		
APT is a multi _____ model.	Factor	Index	Output	None of the above		
As per APT, the value of firm-specific risk factor is _____.	Positive	Negative	Zero	Any of the above		
APT assumes _____ relationship between risk factors and stock returns.	Direct	Indirect	Non-linear	Linear		
_____ theory stipulates relationship between expected return and risk.	CAPM	APT	Both (a) & (b)	None of the above		
As per APT, the coefficients on the macro factors are called as _____.	Systematic risk	Firm specific risk	Unique risk	Factor betas		
An arbitrage opportunity exists if an investor can construct a _____ investment portfolio that will yield a guranteed profit.	Small	Large	Zero	negative		

Question	A	B	C	D		
Reward to total risk ratio is also known as _____ measure.	Shape's	Jensen's	Treynor's	None of the above		
Reward to systematic risk ratio is also known as _____ measure.	Jensen's	Treynor's	Shape's	None of the above		

Difference between expected returns and returns as per CAPM is also known as _____ measure.	Treynor's	Shape's	Jensen's	All of the above		
_____ is used as denominator in Sharpe's ratio.	Standard deviation	Alpha	Beta	All of the above		
_____ is used as denominator in Treynor's ratio.	Alpha	Beta	Gamma	Theta		
As per Fama's decomposition total returns = Risk free returns + _____ returns.	less	free	excess	None of the above		
Jensen's measure provides _____ of a security.	beta	Alpha	Gamma	Theta		
Overpriced securities will have _____.	Zero alpha	Zero beta	Negative alpha	Negative beta		
_____ are/is principle(s) of active portfolio strategy	Market timing	Security rotation	Security selection	All of the above		
Constant rupee value plan is a strategy used in _____ portfolio management strategy.	Active	Passive	Modern			
Treynor's measure of an overpriced security will be _____ as compared to Treynor's measure of market.	Lower	Higher	Same			

Question	A	B	C	D	Answer	Solution
_____ the required rate of return, lower will be the value of the debenture.	higher	lower	constant	all of the above.		
At a given required rate of return _____ the maturity of a bond, lower will be its value.	higher	lower	constant	all of the above.		
_____ technique is the most accurate for calculating YTM.	YTC	YTM	IRR	None of the above		
Interest is payable at _____ rate applicable to par value of debenture.	higher	coupon	lower	all of the above.		
A debenture with higher coupon rate will have _____ bond duration.	lower	higher	less	None of the above		
Valuation of irredemable debentures is based on _____ concept of time value of money.	directly	perpetuity	inversely	None of the above		
A right to call gives the company to _____ the debentures.	sell	buy	buy back	none of the above		
YTM and bond values are _____ related.	directly	inversely	not	all of the		

				above.		
A bond with lower required rate of return as compared to coupon rate will sell in market at_____.	premium	discount	par	none of the above		
The expected rate of return on a bond if bought at its current market price and held till maturity is known as _____.	Current Yield	Yield to call	Yield to put	Yield to maturity		
A bond is said to be issued at premium when	Coupon rate > Required returns	Coupon rate = Required returns	Coupon rate < Required returns	any of the above		

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During_____stage of maturity, the industry's sales growth declines because of shift in demand or growth of substitutes.	deceleration of growth and decline	deceleration of loss and decline	Both (a) & (b)	None of the above		
Outstanding commercial and industrial loans are _____ indicators.	Coincidental	Lagging	Leading	None of the above		
Study of impact of change in independent variable on an dependent variable is known as_____model building.	Barometric	Opportunistic	Econometric	All of the above		
_____model is sectoral analysis of Gross National Product model building.	Econometric	Opportunistic	Barometric	All of the above		
Under_____type of industry, the firms included are those that move closely with the rate of industrial growth of the economy.	Cyclical	Fundamental	Technical	Moral		
_____analysis is a technique that attempts to determine a security's value by focusing economic analysis, industry analysis and underlying factors that affects company's actual business.	Fundamental	Technical	Moral	All of the above		
Fundamental analysis answers which of the following questions about the company?	Is the company actually making profit?	Is the company able to repay its debt?	Is the management trying to hide real facts about the company?	All of the above.		

Fundamental analysis assumes that the stock price of a company depends on _____.	Emotions of stock markets	Capacity to generate income in future	Tips and rumors about the company	All of the above		
According to Fundamental analysis, a company's stock price depends on _____.	The economic situation in which the company operates	Industry in which the company operates	Company's financial health	All of the above		
Under economic analysis an analyst will study _____.	Government policies	Country's GDP	Both (a) & (b)	None of the above		
_____ is/are the measures of economic activity of a country.	Inflation	Fiscal & Monetary policy	Monsoon & Agriculture	All of the above		

Question	A	B	C	D		
_____ coverage ratio indicates company's ability to repay its interest and principal on loan when it becomes due.	Debt service	Liquidity	price earning	None of the above		
_____ sales is used in numerator of debtor's turnover ratio.	Credit	Cash	both (i) & (ii)	None of the above		
Turnover ratios are denoted in _____.	times	cost	Place	None of the above		
_____ is used in the numerator of finished goods turnover ratio.	Cost of goods purchased	Cost of goods sold	cost of production	All of the above		
For calculating creditor's velocity _____ purchases are considered.	Cash	Credit	both (i) & (ii)	All of the above		
Return on capital employed can be calculated by multiplying operating profit ratio and _____ ratio.	asset turnover or capital turnover	profit turnover or capital turnover	both (i) & (ii)	All of the above		
To calculate interest coverage ratio _____ is divided by interest.	earning before interest and tax	earning after interest and tax	both (i) & (ii)	None of the above		
To calculate Preference dividend coverage ratio _____ is divided by preference dividend.	net profit before tax	net profit after tax	gross profit	None of the above		

Under _____ ratio Market price of company's share is divided with its earning per share.	activity	solvency	price earning	All of the above		
Earning's yield is reciprocal of _____ ratio.	profitability	price earning	unlevered	All of the above		
Dividend payout ratio is reciprocal of _____ ratio.	dividend yield	activity	solvency	All of the above		
Ratio analysis is a part of _____ analysis.	economy	company	both (i) & (ii)	technical		
Current ratio is a _____ ratio.	activity	solvency	profitability	liquidity		
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For calculating creditor's velocity _____ purchases are considered.	Cash	Credit	both (i) & (ii)	All of the above		
Return on capital employed can be calculated by multiplying operating profit ratio and _____ ratio.	asset turnover or capital turnover	profit turnover or capital turnover	both (i) & (ii)	All of the above		
To calculate interest coverage ratio _____ is divided by interest.	earning before interest and tax	earning after interest and tax	both (i) & (ii)	None of the above		
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Earning's yield is reciprocal of _____ ratio.	profitability	price earning	unlevered	All of the above		
Dividend payout ratio is reciprocal of _____ ratio.	dividend yield	activity	solvency	All of the above		
Ratio analysis is a part of _____ analysis.	economy	company	both (i) & (ii)	technical		
Current ratio is a _____ ratio.	activity	solvency	profitability	liquidity		

Question	A	B	C	D		
Under technical analysis _____ level represents an upper price limit for a stock.	resistance	support	both (a) & (b)	None of the above		
Under technical analysis, money flow index is a type of _____.	Trin factor	oscillator	both (a) & (b)	All of the above		
Under technical analysis, support and resistance levels are also termed as _____ oscillators.	Trend	Moral	stochastic	None of the above		
Under technical analysis, _____ is oscillator measures percentage change between the most recent price and the price 'n' period in the past.	rate of interest	rate of change	rate of exchange	All of the above		
Money flow index _____ weighted Relative strength index.	volume	Relative	static	None of the above		
When each successive low and high of a share price is higher than the previous low and high, the price is said to be in _____ trend.	decreasing	increasing	constant	None of the above		
_____ analysis is a study based on market emotions and share price	Fundamental	Technical	Moral	All of the above		

movements.						
A _____ indicates the general direction in which a security price is headed.	trend	ratio	price	none of the above		
The daily high price is represented on a candlestick chart by the _____.	real body	trend-line	channel	shadow		