

**M.COM DEGREE (CSS) EXAMINATION  
THIRD SEMESTER – FACULTY OF COMMERCE (Private Registration)**

**CM010303 – SECURITY ANALYSIS AND PORTFOLIO MANAGEMENT  
MULTIPLE CHOICE QUESTIONS**

1. Liquidity risk is :
  - A. is risk investment bankers face.
  - B. is lower for small OTC
  - C. increases whenever interest rates increase
  - D. is risk associated with secondary market transactions
  
2. Bond holders usually accept interest payment each.
  - A. 1 year
  - B. six months
  - C. 2 months
  - D. 2 years
  
3. Passive management is also referred to as.....?
  - A. index fund management
  - B. index folio management
  - C. interest free management
  - D. none of these
  
4. Multifactor asset pricing model that can be used to estimate the .....rate for the valuation of financial asset.
  - A. discount
  - B. interest
  - C. expense
  - D. risk
  
5. Arbitrate pricing theory is an ..... model.
  - A. asset pricing
  - B. risk evaluation
  - C. bond pricing
  - D. none of these
  
6. CAMP stands for .
  - A. capital asset pricing model
  - B. capital assessment pricing model
  - C. capital asset placement model
  - D. none of these
  
7. An asset risk premium is given by :
  - A. the asset standard deviation
  - B. the assets expected returns
  - C. expected return per unit of standard deviation
  - D. the excess of the assets expected return over the riskless rates

8. Which of the following is an example of a depreciable asset?

- A. land
- B. cash
- C. account receivable
- D. equipment

9. While bond prices fluctuate,

- A. yields are constant
- B. coupon are constant
- C. the spread between yields is constant
- D. short term bond prices fluctuate even more

10. To calculate historical (realised) risk and return, use;

- A. ex-post data
- B. mean and variance of expected return
- C. probability distribution of possible states
- D. ex- ante data

11. A price weighted index is an arithmetic mean of

- A. future prices
- B. current prices
- C. quarter prices
- D. none of these

12. A firm that fails to pay dividends on its preferred stock is said to be .....

- A. insolvent
- B. in arrears
- C. in sufferable
- D. delinquent

13. .... is not a money market instrument.

- A. certificates of deposit
- B. a treasury bill
- C. a treasury bond
- D. commercial paper

14. A bond that has no collateral is called ..... ?

- A. collable bond
- B. a debenture
- C. a junk bond
- D. a mortgage

15. The process of addition of more assets in an existing portfolio is called.....?

- A. portfolio revision
- B. portfolio addition
- C. portfolio exchanging
- D. none of these

16. -----is the amount left over after individual consumption.

- A. Investment
- B. Savings
- C. Surplus
- D. Money.

17. --- include “expensive stocks” that offer big rewards but have big risk.

- A. The patient portfolio
- B. Conservative portfolio
- C. Aggressive portfolio
- D. Efficient portfolio

18. Find the odd one.

- A. Risk
- B. Return
- C. Safety
- D. Tax evasion

19. An investor committed money for very short period expect....

- A. Return from price fluctuation
- B. Dividend
- C. Benefit from both price variation and dividend
- D. None of these

20. Investment in precious metals are included in ..... asset class.

- A. Liquid assets
- B. Financial assets
- C. Real assets
- D. Monetary assets

21. The investment process begins with -----

- A. Investment policy
- B. Security analysis
- C. Portfolio construction
- D. Fundamental analysis

22. Total risk includes-----

- A. Systematic risk only
- B. Unsystematic risk only
- C. Both a and b above
- D. Only diversifiable risks

23. Systematic risk includes-----

- A. Market risk
- B. Interest rate risk
- C. Purchasing power risk
- D. All the above

24. Which among the following statements are true about unsystematic risk?
- A. It is diversifiable
  - B. It is company specific
  - C. Both a and b
  - D. a only
25. Which among the following is true about systematic risk?
- A. It is not diversifiable
  - B. a only
  - C. Its measure is Beta
  - D. Both a and c
26. According to Graham, a stock should have a current ratio of at least---
- A. One
  - B. Two
  - C. Three
  - D. Four
27. -----is the process of combining together various investment assets to obtain optimum returns with minimum risk.
- A. Portfolio construction
  - B. Portfolio analysis
  - C. Portfolio evaluation
  - D. Portfolio revision
28. Modern portfolio theory is a contribution by.....
- A. William sharp
  - B. Benchamin Graham
  - C. Stephen Rose
  - D. Harry Markowitz
29. MACD stands for -----
- A. Managing asset classes for dividend
  - B. Multiple asset class deposit
  - C. Moving average convergence divergence
  - D. Main asset class deposit
30. The concept 'never putting all your eggs in one basket' is explained in ---
- A. Markowitz Model
  - B. Sharp single index Model
  - C. Multi Index Model
  - D. APT
31. Who introduced mean variance analysis in portfolio theory?
- A. William Sharp
  - B. Harry Markowitz
  - C. F. Amling
  - D. Kritzman

32. Unsystematic risk may arise due to the following reason.
- A. Change in interest rate
  - B. Increase in population
  - C. Employee strike in the company
  - D. Exchange rate fluctuations
33. A higher standard deviation is an indicator of----
- A. Greater risk and higher potential returns
  - B. Moderate risk and higher potential returns
  - C. Lower risk and higher potential returns
  - D. Greater risk and lower potential returns
34. If the returns of two securities are unrelated, the covariance will be---
- A. Positive
  - B. Negative
  - C. Zero
  - D. One
35. Portfolios included in the risk return space is called-----
- A. Feasible set
  - B. Efficient portfolio
  - C. High return portfolio
  - D. Risky portfolio
36. The concept efficient frontier is a contribution by----.
- A. Robert Rhea
  - B. E. George Schaefer
  - C. Charles H. Dow
  - D. Harry Markowitz
37. A fully diversified portfolio contains securities which have---
- A. Only unsystematic risk
  - B. Both systematic and unsystematic risk
  - C. Only systematic risk
  - D. No risk
38. ----- is the measure of risk in the case portfolio with two securities.
- A. Correlation
  - B. Covariance
  - C. Standard deviation
  - D. Beta
39. Value of Beta above 1 implies---
- A. Higher risk than the market average
  - B. Less risk than market average
  - C. Less risk than risk free investment
  - D. None of the above

40. CML stands for.
- A. Convergence Market Line
  - B. Critical Market Line
  - C. Critical Maturity Line
  - D. Capital Market Line
41. ----- is also called characteristic Lines.
- A. CML
  - B. SML
  - C. Efficient Frontier
  - D. CAL
42. Efficient frontier is situated at ----- boundary of opportunity set.
- A. North west
  - B. North east
  - C. South west
  - D. South east
43. Arbitrage Pricing Theory was introduced by---
- A. Charles Dow
  - B. Benjamin Graham
  - C. William sharp
  - D. Stephen S.Rose
44. Which pricing model provides no guidance on the determination of the risk premium factor?
- A. The Multifactor APT
  - B. The CAPM
  - C. Both CAPM & Multifactor APT
  - D. Neither the CAPM nor Multifactor APT
45. . ----- is an example for oscillators.
- A. ROC
  - B. RSI
  - C. MACD
  - D. All the above
46. The APT differs from CAPM because the APT.
- A. Places more emphasis on market risk
  - B. Recognizes multiple systematic risk factors
  - C. Recognizes multiple unsystematic risk factors
  - D. Minimizes the importance of diversification
47. ----- focus more on past price movement of a firm's stock than on the underlying determinants of future profitability.
- A. Credit Analysis
  - B. Fundamental Analysis
  - C. Systems Analysis
  - D. Technical Analysis

48. RAPM stands for -----

- A. Risk Adjustment Performance Matrix
- B. Risk Adjusted Performance Measure
- C. Risk return Analysis of portfolio management
- D. Risk Adjusted portfolio Measure

49. Reward to variability Ratio is-----

- A. Traynor Ratio
- B. Sharp Ratio
- C. Jensen Ratio
- D. Book Market Ratio

50. Reward to volatility Ratio is also called as-----

- A. Treynor Ratio
- B. Sharp Ratio
- C. Jensen Ratio
- D. Book market Ratio

51. Michel C. Jensen introduced;

- A. Reward to variability ratio
- B. Reward to volatility Ratio
- C. Differential return measure
- D. Price book ratio

52. Treynor Ratio is calculated using---

- A. Standard deviation
- B. Beta
- C. Alpha
- D. Both Alpha and Beta

53. When alpha 'p' is positive, it shows---

- A. Superior return
- B. Neutral performance
- C. Worst performance
- D. None of the above

54. Which of the following is a defensiveshares?

- A.  $\text{Beta} > 1$
- B.  $\text{Beta} < 1$
- C.  $\text{Beta} = 1$
- D.  $\text{Beta} = 0$

55. NSE established on---

- A. 1875
- B. 1785
- C. 1990
- D. 1992

56. ----- is a person who believes in lower expected return at reduced risk.

- A. Hedgers
- B. Arbitrageurs
- C. Speculators
- D. Spreaders

57. Who is the author of the book“ Security Analysis and The Intelligent Investor”

- A. John Maynard Keynes
- B. Kritzman
- C. Benjamin Graham
- D. Harry Markowitz

58. ----- is putting money at risk by betting on an uncertain outcome with the hope that you might win money.

- A. Investment
- B. Gambling
- C. Financing
- D. Portfolio

59. Total risk is associated with ----

- A. Standard deviation
- B. Beta
- C. Alpha
- D. Correlation

60. Which of the following is not related with a bond?

- A. Dividend
- B. Residential maturity
- C. ESOP
- D. Spot interest rate

61. ----- is the bonds issued at a considerable discount and repaid at par.

- A. Deep discount bond
- B. Callable bond
- C. Floating rate note
- D. Junk bonds

62. Which of the following is a PSU bond?

- A. Cumulative Interest bonds
- B. Step up bonds
- C. Tax free bonds
- D. Monthly return bonds

63. ----- are issued by a group of multinational banks.

- A. Domestic bonds
- B. Foreign bonds
- C. Euro bonds
- D. Junk bonds



64. YTM is the most widely used measure to know the return on-----

- A. Equity
- B. Derivatives
- C. Bonds
- D. Preference shares

65. -----is the discount rate that makes present value of single cash inflow to cost of the bond.

- A. Current yield
- B. YTC
- C. YTM
- D. Spot interest rate

66. YTC is used in the case of----- bonds.

- A. Irredeemable
- B. Callable bonds
- C. Redeemed on maturity
- D. Convertible

67. Bond price-yield relationship is referred to as -----

- A. Concave
- B. Convex
- C. Linear
- D. Rectangular hyperbola

68. Bond pricing theorems was introduced by—

- A. Harry Markowitz
- B. Kritzman
- C. F. Amling
- D. Burton G. Malkiel

69. Bond price will move ----- to market interest changes.

- A. Inversely
- B. Positively
- C. Constant
- D. Randomly

70. ----- is a measure of interest rate sensitivity of a bond.

- A. YTM
- B. HTC
- C. Duration
- D. Current yield

71. The theory of bond immunisation was introduced by-----

- A. Redington
- B. F. Amling
- C. Burton G. Malkiel
- D. Kritzman

72. ----- is a hedging method against the risk associated with changes in interest rates.

- A. Macaulay's duration
- B. Bond convexity
- C. Bond immunisation
- D. Effective duration

73. Which of the following relates to industry analysis?

- A. Infrastructure facilities
- B. Competitive forces
- C. Interest rate
- D. Market share

74. Which is the most popular multiplier for valuing shares?

- A. EPS/ stock price
- B. P/E Ratio
- C. Constant growth mode
- D. One year holding model

75. -----ratio is used to estimate the value of stocks by the investors rather than adopting discounting models.

- A. Price to sales ratio
- B. Price to book ratio
- C. Price earnings ratio
- D. Dividend pay-out ratio

76. -----is the study of historical stock prices and stock market behaviour to identify recurring pattern.

- A. Fundamental Analysis
- B. Technical Analysis
- C. Economy Analysis
- D. Industry Analysis

77. Dow Theory relates to---

- A. Primary trend
- B. Short term trend
- C. Seasonal pattern
- D. Intermediate trend

78. Find the odd one.

- A. Head and shoulder
- B. Flags
- C. Triangles
- D. Candle sticks

79. Price movements in zigzag fashion with any rise or fall interrupted by counter movements are known as-----

- A. Trend Reversal
- B. Consolidation
- C. Reactions
- D. Penetration

80. Which among the following is a market indicator?

- A. Oscillators
- B. MACD
- C. Odd-lot-index
- D. Moving average

81. Random Walk Theory was popularised by----

- A. Burton Malkiel
- B. Redington
- C. Charles Dow
- D. F.Amling

82. Elliot Wave Theory was introduced in the year----

- A. 1949
- B. 1934
- C. 1926
- D. 1926

83. The oldest approach to common stock selection is-----

- A. Fundamental Analysis
- B. Technical Analysis
- C. Random walk Analysis
- D. Value Analysis

84. Technical Analysis reflects the idea that stock prices-----

- A. Move upward over time
- B. Move inversely over time
- C. Move in trends
- D. Move randomly

85. Which of the following is a tool in technical analysis to determine whether a security is a good for investment?

- A. The Price earnings ratio
- B. Balance sheet
- C. Income statement
- D. Trend lines

86. Line charts are formed by connecting----- of each time frame.

- A. Average price
- B. Highest of the day
- C. Closing price
- D. Lowest of the day

87. Triangles are ----- patterns.

- A. Continuation
- B. Reversal
- C. Support and resistance
- D. None of the above

88. -----movements are typically referred to as bullish and bearish.

- A. Secondary
- B. Daily
- C. Major
- D. Primary

89. Process of selling of shares that is not owned by a person is termed as...

- A. Hedging
- B. Short-selling
- C. Broking
- D. Quoting

90. At resistance level a technical analysis expects the -----

- A. Demand of a stock to decrease substantially
- B. Demand of a stock increase substantially
- C. Supply of a stock to Increase substantially
- D. Supply of a stock decrease substantially

91. Which of the following represents an upper price limit for a stock, based on the quantity of willing sellers?

- A. Candle
- B. Trend line
- C. Support
- D. Resistance

92. Which of the following do a technical analysis believe is a lower bound on a stock's price?

- A. Candle
- B. Support
- C. Trend line
- D. Resistance

93. Barometric approach is used for-----

- A. Economic forecasting
- B. Trend prediction
- C. Price estimation
- D. Dividend forecasting

94. Opportunistic model building is also known as-----

- A. Econometric model building
- B. Mathematical model building
- C. Sectorial analysis
- D. Anticipatory surveys

95. The last step in fundamental analysis is

- A. Economic Analysis
- B. Industry Analysis
- C. Company Analysis
- D. Technical Analysis

96. Which of the following is a financial investment?

- A. Share
- B. Farm house
- C. Car
- D. T. V. Set

97. Which of the following is tax saving investment?

- A. Fixed deposit
- B. Shares
- C. PPF
- D. Post office saving

98. All personal investing is designed to achieve certain .....

- A. Objective
- B. Investment
- C. Risk
- D. Returns

99. The object of portfolio is to reduce .....by diversification

- A. Return
- B. Risk
- C. Uncertainty
- D. Percentage

100. The fundamental analysis approach has been associated with .....

- A. Uncertainties
- B. Certainties
- C. Ratios
- D. Balance sheet

101. This type of risk is avoidable through proper diversification

- A. Portfolio risk
- B. Systematic risk
- C. Unsystematic risk
- D. Total risk

102. Beta is the slope of

- A. The security market line
- B. The capital market line
- C. a characteristic line
- D. The CAPM

103. A measure of risk per unit of expected return

- A. standard deviation
- B. Coefficient of variation
- C. Correlation coefficient
- D. Beta

104. The greater the beta, the security involved

- A. Greater the unavoidable risk
- B. Greater the avoidable risk
- C. Less the unavoidable risk
- D. Less the avoidable Risk.

105. A Statistical measure of the Degree to which two variables move together

- A. Coefficient of variation
- B. Variance
- C. Covariance
- D. Certainty equivalent

106. The fundamental analysis is a method of finding out

- A. Ratio
- B. Value of shares
- C. Tips
- D. Future price of a security

107. Which analysis provides a simplified picture of price behaviour of a shares

- A. Fundamental
- B. Technical
- C. Ratio
- D. Fund flow

108. Return of investment is determined by

- A. Net profit
- B. Capital employed
- C. Net worth
- D. Net profit & capital employed

109. Which leverage helps to examine the relationship between EBIT & EPS

- A. Operating
- B. Financial
- C. Combined
- D. none

110. Which leverage shows the relationship between the revenue in the account of sales and the taxable income

- A. Financial
- B. Operating
- C. Combined
- D. none

111. The stage of start up of an industry.

- A. Pioneering
- B. Rapid growth
- C. Maturity
- D. Decline

112. The stage when poor performers start winding up their business

- A. Pioneering
- B. Rapid growth
- C. Maturity
- D. Decline

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- A. ratio
- B. Value of shares
- C. Tips
- D. Future price of security

114. Which analysis provides a simplified picture of price behaviour of a shares

- A. Fundamental
- B. Technical
- C. Financial
- D. Any

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- A. Net profit
- B. capital employed
- C. Net worth
- D. Net profit & capital employed

116. Which theory believes that the investors prefer larger to smaller returns from securities ?

- A. modern
- B. traditional
- C. Markowitz
- D. sharpe

117. Modern portfolio theory ..... the relationship between risk and return

- A. maximizes
- B. minimizes
- C. quantifies
- D. does not assume

118. Which measures the systematic or non -systematic risk of a security ?

- A. Beta
- B. Variance
- C. standard deviation
- D. Range

119. According to CAPM, the correct measure of risk is termed as ....

- A. business risk
- B. financial risk
- C. Beta coefficient
- D. systematic risk

120. The market portfolio has a beta of

- A. -1.0
- B. 2.0
- C. 1.0
- D. 0.5

121. The beta of the risk-free asset is

- A. -1.0
- B. 2.0
- C. 1.0

122. Capital structure decision should always aim at having debt component in order to

- A. Gain tax saving
- B. balance of capital structure
- C. gain control
- D. increase EPS

123. The non produce projects should be financed by

- A. debt & equity
- B. debt
- C. equity
- D. retained earning

124. If EBIT is less than the financial break even point then

- A. + EPS
- B. - EPS
- C. no effect on EPS
- D. cash of debt increase

125. An appropriate capital structure is

- A. flexible
- B. conservator
- C. minimum risk of loss of control
- D. a,b,c

126. Financial risk involves

- A. risk of insolvency
- B. risk of variation in expected earning
- C. both a& b
- D. none of the above

127. If ROI is more than cost of debt

- A. EPS increase
- B. Financial risk increase
- C. both a & b
- D. none of the above



128. Net income approach assume

- A. no change in risk
- B. no corporate tax
- C. both a & b
- D. none of the above

129. .... analysis is a study based on market emotions and share price movement.

- A. Fundamental
- B. Moral
- C. technical
- D. all the above

130. The daily high price is represented on a candlestick chart by the

- A. real body
- B. trend -line
- C. channel
- D. shadow

131. A ..... indicates the general direction in which a security price is headed

- A. trend
- B. ratio
- C. price
- D. none of the above

132. A .....average of a stock index is the average level of the index over a given interval of time

- A. static
- B. moving
- C. gross
- D. net

133. Market price breaking through the moving average from below is a .....indicator

- A. Bullish
- B. Flat
- C. bearish
- D. none of the above

134. Triple tops & triple bottom are indicators of ....

- A. role reversal
- B. trend reversal
- C. both a & b
- D. high volumes

135. Increase in odd lot selling as compared to odd lot buying, is a .....indicator

- A. bullish
- B. bearish
- C. both a & b
- D. neutral

**ANSWER KEY**

**1.C 2.B 3.A 4.A 5.A 6.A 7.A 8.D 9.A 10.A 11.B 12.B 13.C  
14.B 15.A 16.B 17.B 18.D 19.A 20.C 21.A 22.C 23.D 24.C 25.D 26.B  
27.A 28.D 29.C 30.A 31.B 32.C 33.A 34.C 35.A 36.D 37.C 38.C 39.A  
40.D 41.B 42.A 43.D 44.A 45.D 46.B 47.D 48.A 49.B 50.A 51.C 52.B  
53.A 54.B 55.D 56.D 57.C 58.B 59.A 60.D 61.A 62.C 63.C 64.C 65.D  
66.B 67.B 68.D 69.A 70.C 71.A 72.C 73.B 74.B 75.C 76.B 77.A 78.D  
79.C 80.C 81.A 82.B 83.B 84.C 85.D 86.C 87.A 88.D 89.B 90.A 91.D  
92.B 93.A 94.C 95.C 96.A 97.C 98.A 99.B 100.A 101.C 102.C 103.B 104.A  
105.C 106.D 107.B 108.D 109.B 110.C 111.A 112.D 113.D 114.B 115.D 116.A 117.C  
118.A 119.C 120.C 121.D 122.D 123.D 124.B 125.D 126.C 127.C 128.C 129.C 130.D  
131.A 132.B 133.A 134.C 135.A**