

Semester IV - M. A. Economics
Multiple Choice Questions (Private Registration)
ECO10403- Financial Economics

1. Time value of money indicates that
 - (a) A unit of money obtained today is worth more than a unit of money obtained in future
 - (b) A unit of money obtained today is worth less than a unit of money obtained in future
 - (c) There is no difference in the value of money obtained today and tomorrow
 - (d) None of the above

2. Which theory describes money received in the current time it has more worth than money received in future
 - (a) Cash value of money
 - (b) Time value of money
 - (c) Storage value of money
 - (d) Lead value of money

3. The cash flows method, utilized by the internal rate of return and net present value method are
 - (a) Future cash flows
 - (b) Lean cash flows
 - (c) Discounted cash flows
 - (d) Vertical cash flows

4. Which of the following is not true for Capital Budgeting for a business?
 - (a) The timing of cash flows is relevant
 - (b) The existing investment within a project is not considered as the sunk cost
 - (c) The cost of capital is equal to the minimum required rate of return
 - (d) The capital budgeting is only related to the asset replacement decisions

5. Which method in a capital budgeting is based on the discounted cash flow?
 - (a) Net equity budgeting method
 - (b) Net capital budgeting method
 - (c) Net future value method
 - (d) Net present value method

6. Is the present value always ----- to the future value?
- (a) equal
 - (b) less than
 - (c) greater than
 - (d) no change
7. To increase a given present value, the discount rate should be adjusted
- (a) upward.
 - (b) downward
 - (c) True.
 - (d) False
8. Cash flows are a project's revenue and are indicated by
- (a) Positive numbers
 - (b) Negative numbers
 - (c) Relative number
 - (d) Hurdle number
9. Which of the following can be a criterion for the acceptance of a project?
- (a) The Profitability Index should be greater than unity
 - (b) The Internal Rate of Return should be greater than the cost of capital
 - (c) The Net Present Value should be greater than zero
 - (d) All of the above
10. Relationship between annual nominal rate of interest and annual effective rate of interest, if frequency of compounding is greater than one:
- (a) Effective rate $>$ Nominal rate
 - (b) Effective rate $<$ Nominal rate
 - (c) Effective rate = Nominal rate
 - (d) None of the above
11. Which of the option is not a part of the three primary procedure of firm valuation?
- (a) Market Share
 - (b) Balance sheet
 - (c) Income or earnings
 - (d) Discounted Cash flow
12. If the nominal rate of interest is 10% per annum and there is quarterly compounding, the effective rate of interest will be:

- (a) 10% per annum
- (b) 10.10 per annum
- (c) 10.25%per annum
- (d) 10.38% per annum

13. In which payback period a due cash flows are discounted with the cost of capital of the project is categorised as

- (a) Discounted project cost
- (b) Discounted cash flows
- (c) Discounted rate of return
- (d) Discounted payback period

14. Why is evaluating Capital Budgeting decisions based on cash flows?

- (a) Cash is more important for an organisation than profits
- (b) Cash flows are much easier to calculate compared to profits
- (c) Both a and b are incorrect
- (d) Both a and b are correct

15. Internal rate of return is

- (a) The rate at which discounted cash inflow is equal to the discounted cash outflow
- (b) The rate at which discounted cash inflow is less than discounted cash outflow
- (c) The rate at which discounted cash inflow is more than discounted cash outflow
- (d) None of the above

16. Heterogeneous cash flows can be made comparable by

- (a) Discounting technique
- (b) Compounding technique
- (c) Either a or b
- (d) None of the above

17. A project assumed monetary gain or loss by discounting entire cash inflows and outflows by utilising the necessary rate of return is listed as

- (a) Net recorded cash value
- (b) Net discounted value
- (c) Net future value
- (d) Net present value

18. What is the main difference between accounting profit and economic profit?

- (a) Economic profit is based on cash flows, while accounting profit is based on specific rules for accountancy
- (b) Accounting profit includes the last accounting period, while economic profit includes the entire life of a firm's existence
- (c) Accounting profit has a small charge for debt, but economic profit has a small charge for the providers of capital
- (d) All of the above

19. What happens to a present value as you increase the discount rate?

- (a) The present value gets smaller as you increase the discount rate.
- (b) The present value gets larger as you increase the discount rate.
- (c) The future value gets larger as you increase the interest rate.
- (d) The future value gets smaller as you increase the interest rate.

20. Which cash flow is accessible for a firm's investors?

- (a) Free cash flow
- (b) Investing cash
- (c) Intrinsic stock
- (d) Extrinsic stock

21. Which of the following principles is not considered within capital budgeting for a company?

- (a) Post-tax principle
- (b) Accrual principle
- (c) Cash flows principle
- (d) None of the above

22. Which of the following is not incorporated within the capital budgeting decision for a company?

- (a) The rate of cash discount
 - (b) Time value of money
 - (c) The required rate of return
 - (d) None of the above
23. Which one of the following is shown first when the assets are arranged in the order of their liquidity?
- (a) Investment
 - (b) Cash in hand
 - (c) Debtors
 - (d) None of the above
24. Which of the following would be the best example of a capital budgeting decision?
- (a) Purchasing new machinery to replace an existing one
 - (b) Transferring money to your creditor's account
 - (c) Payment of electricity bill for your factory
 - (d) None of the above
25. As per the net present value, any projects to be acceptable should have a
- (a) Positive net present value
 - (b) Zero net present value
 - (c) Negative net present value
 - (d) Both A and B
26. An investor invests in assets known as a
- (a) Securities
 - (b) Block of Assets
 - (c) Portfolio
 - (d) None of the above
27. The amount today which is equal to series of payments in future
- (a) Nomial value of annuity
 - (b) Sinking value of annuity
 - (c) Present value of annuity
 - (d) Future value of annuity
28. Investors agree to invest in high- risk investments if only
- (a) There are any true speculations

- (b) The predicted return is satisfactory for taking a risk
- (c) There are no safe options except for holding cash
- (d) The return is short

29. Which of the following is not true about Capital Budgeting?

- (a) Capital Budgeting decisions have an influence on the future stability of an organisation
- (b) Capital Budgeting decisions include investments to expand the business
- (c) Capital Budgeting decisions are of an irreversible nature
- (d) Sunk cost is a part of Capital Budgeting

30. Investments would score high only if there is a protection to

- (a) Real estate
- (b) Preferred stock
- (c) Government bonds
- (d) Common stock

31. _____ is a project whose cash flows are not affected by the acceptance or rejection of other projects.

- (a) Risk-free project
- (b) Low-cost project
- (c) Independent project
- (d) None of the above

32. The process of loan repayment by installment payments is classified as

- (a) Amortizing a loan
- (b) depreciation a loan
- (c) appreciation of loan
- (d) appreciation of investment

33. Which of the following would be the result of including flotation costs in the analysis of a project?

- (a) It will increase the initial outflow of cash for the project

- (b) It will increase the rate of return for the project
- (c) It will increase the Net Present Value (NPV) of the project
- (d) It will have zero effect on the current value of the project

34. Which of the following is the term that describes the amount of time taken for a capital budgeting project to recover its initial investment?

- (a) Investment period
- (b) Redemption period
- (c) Payback period
- (d) Maturity period

35. Which of the following is true for a project with a shorter payback period?

- (a) The project will have a lesser risk
- (b) The project will have less Net Present Value
- (c) The project will have more Net Present Value
- (d) The project will have a greater risk

36. What is the main reason behind the specific required rates of return for different projects?

- (a) It does not take into account the cost of capital and timing of return
- (b) If a firm is divided then the units will also have a separate rate of return
- (c) Both a and b are correct
- (d) None of the above

37. Which of the following is true for an investment proposal with the most significant relative risk?

- (a) It will have the lowest opportunity loss
- (b) It will have the highest expected net present value
- (c) It will have the highest standard deviation of the net present value
- (d) It will have the highest coefficient of variation of the net present value

38. Which of the following decisions affects the size of assets, the profitability and competitiveness of a firm?

- (a) Dividend decision
- (b) Working capital decision
- (c) Capital Budgeting decision
- (d) None of the above

39. In Capital Market Line every investment is

- (a) Finitely divisible
- (b) Infinitely divisible
- (c) Both a & b
- (d) None of the above

40. Which of the following is true for a project with a shorter payback period?

- (a) The project will have more Net Present Value
- (b) The project will have less Net Present Value
- (c) The project carries a greater amount of risk
- (d) The project carries a lesser amount of risk

41. What should be the criteria of selection when choosing among mutually exclusive projects?

- (a) Selecting a project with a lower cost of capital
- (b) Selecting a project with the quickest payback
- (c) Selecting a project with the longest payback
- (d) Selecting a project with the highest net present value

42. Every year depreciation is charged on -----

- (a) Equity
- (b) Liabilities
- (c) Fixed assets
- (d) Current assets

43. For any organisation, goodwill is _____.

- (a) A valuable asset

- (b) A non-current asset
- (c) An intangible asset
- (d) All of the above

44. The expected rate of return on a bond if bought at its current market price and held to maturity.

- (a) yield to maturity
- (b) current yield
- (c) coupon yield
- (d) capital gains yield

45. The criteria for defining intangible assets is/are:

- (a) Inseparability
- (b) Immateriality
- (c) None of the above
- (d) Both the above

46. The value of a fixed asset after deducting depreciation from the historical cost is called

- (a) Fair value
- (b) Book value
- (c) Market value
- (d) Net realizable value

47. The net asset value method for the valuation of shares is based on the assumption that _____.

- (a) The company is going to be liquidated
- (b) The company is a going concern
- (c) Both a and b are incorrect
- (d) Both a and b are correct

48. If one or more assets are exchanged for a new asset, the new asset is valued at:

- (a) Market value
- (b) Fair value
- (c) Cost of assets received
- (d) Cost of given up assets

49. The formula for valuation of equity shares is _____ multiplied by the price-earnings ratio.

- (a) Interest per share
- (b) Bonus per share
- (c) Earnings per share
- (d) None of the above

50. Retained earnings are

- (a) an indication of a company's liquidity.
- (b) the same as cash in the bank.
- (c) not important when determining dividends.
- (d) the cumulative earnings of the company after dividends.

51. The value of a bond and debenture is

- (a) Present value of interest payments it gets
- (b) Present value of contractual payments it gets till maturity
- (c) Present value of redemption amount
- (d) None of the above

52. Which of the following is an argument for the relevance of dividends?

- (a) Informational content.
- (b) Reduction of uncertainty
- (c) Some investors' preference for current income.
- (d) All of the above.

53. Which of the following qualities should an asset possess for it to qualify for recognition as an Assets?

- (a) There should be probability of future economic benefit from it and it should be Within the entity's control
- (b) There should be active market for assets
- (c) There is remote possibility of future economic benefit SO.
- (d) There should be possibility of sale of the product

54. If the intrinsic value of a stock is greater than its market value, which of the following is a reasonable conclusion?

- (a) The stock has a low level of risk
- (b) The stock offers a high dividend payout ratio.
- (c) The market is undervaluing the stock.
- (d) The market is overvaluing the stock.

55. All of the following are true of stock splits EXCEPT:

- (a) market price per share is reduced after the split.
- (b) the number of outstanding shares is increased.
- (c) retained earnings are changed.

- (d) proportional ownership is unchanged.
56. A bond is said to be issued at premium when
- (a) Coupon rate > Required returns
 - (b) Coupon rate = Required returns
 - (c) Coupon rate
 - (d) None of the above
57. The dividend-payout ratio is equal to
- (a) the dividend yield plus the capital gains yield.
 - (b) dividends per share divided by earnings per share.
 - (c) dividends per share divided by par value per share
 - (d) dividends per share divided by current price per share.
58. If the coupon rate is constant, the value of bond when close to maturity will be
- (a) Issued value
 - (b) Par value
 - (c) Redemption value
 - (d) All of the above
59. If an investor may have to sell a bond prior to maturity and interest rates have risen since the bond was purchased, the investor is exposed to
- (a) the coupon effect.
 - (b) interest rate risk.
 - (c) a perpetuity.
 - (d) an indefinite maturity.
60. Interest rates and bond prices
- (a) move in the same direction.
 - (b) move in opposite directions
 - (c) sometimes move in the same direction, sometimes in opposite directions.
 - (d) have no relationship with each other (i.e., they are independent).
61. When the market's required rate of return for a particular bond is much less than its coupon rate, the bond is selling at:
- (a) a premium.
 - (b) a discount.
 - (c) cannot be determined without more information.
 - (d) face value.
62. Intangible assets arise from the right to benefits from artistic works:

- (a) Technology-based
- (b) Artistic-related
- (c) Customer-related
- (d) Marketing-related

63. The value of a partly paid equity share is equal to _____.

- (a) The value of a fully paid-up share minus the calls unpaid per share
- (b) The value of a fully paid-up share divided by the face value of a share
- (c) The value of a fully paid-up share
- (d) None of the above

64. Which of the following approach is used for valuation of intangible assets?

- (a) Cost approach
- (b) Market approach
- (c) Income approach
- (d) All of the above

65. The market-based methods for the valuation of a share should not be adopted if _____.

- (a) The assets of a business are lesser than its liabilities
- (b) The company is too small
- (c) It becomes difficult to estimate the realisable value of a going concern
- (d) There are massive fluctuations in its market price

66. The with-and-without method is frequently used in the valuation of:

- (a) Trade names/trademarks/brands
- (b) Customer-related intangibles (e.g., backlog, contracts, relationships),
- (c) Technology,
- (d) Non-competition agreements

67. Which of the following methods are used for the valuation of goodwill?

- (a) Super profit method

- (b) Weighted profit method
- (c) Average profit method
- (d) All of the above

68. In case of exchange of assets, if the acquired assets _____ cannot be valued

- (a) The cost of assets received is used
- (b) The cost of assets given up is used
- (c) Fair value of assets received is used
- (d) None of the above

69. What is the primary purpose for the valuation of shares?

- (a) To advance a loan against the security of shares
- (b) For purchase of shares by employees where they can retain these shares till the period of their employment
- (c) To purchase a block of shares to acquire control in the company
- (d) All of the above

70. The cost of an intangible asset is comprised of the fair value of the consideration

- (a) Less directly attributable costs
- (b) less legal costs incurred in the purchase
- (c) plus directly attributable costs
- (d) plus indirect costs

71. The weighted average method for calculating goodwill should be followed only when _____.

- (a) The profits have a decreasing trend
- (b) The profits are uneven
- (c) The profits have an increasing trend
- (d) None of the above

72. _____ is the main reason why the intrinsic value of a share is lesser than its market value.

- (a) The market is undervaluing the share
- (b) The market is overvaluing the share
- (c) The share has a low level of risk
- (d) The share offers a high dividend payout ratio

73. The market value method for the valuation of a share is preferred _____.

- (a) When the shares are not listed
- (b) When there is a valuation for a division within the company
- (c) When the shares of a company are frequently traded in a stock exchange that has nationwide trading
- (d) None of the above

74. The shares appear at _____ in the balance sheet of a company.

- (a) Paid-up value
- (b) Market price
- (c) Adjusted market value
- (d) None of the above

75. Which of the following is not essential to calculate the yield value per share?

- (a) Super profit
- (b) Paid-up value
- (c) Normal return rate
- (d) Expected return rate

76. Financial derivatives includes?

- (a) Stock
- (b) Bonds
- (c) Future
- (d) None of these

77. An option allowing the owner to sell an asset at a future date is a
- (a) Put option
 - (b) Call option
 - (c) Forward option
 - (d) Future contract
78. The amount paid for an option is the
- a) Strike price
 - b) Discount
 - c) Premium
 - d) Yield
79. There are two types of regular options (calls and puts) How many types of barriers options are there?
- a) two
 - b) four
 - c) six
 - d) eight
80. Devise adopted to make profit out of the difference in prices of a security in two different markets is called ----- .
- a) Arbitrage
 - b) Margin trading
 - c) Call option
 - d) None of these
81. Hedging strategy
- a) removes losses
 - b) helps reduce risk
 - c) helps make excess profits

d) is independent of risk

82. A person who agrees to buy an asset at a future date has gone

a) long.

b) short.

c) back.

d) ahead.

83. The number of futures contracts outstanding is called

a) liquidity.

b) volume.

c) float.

d) open interest.

84. An option exercised at the time of maturity is termed as -----.

a) American option

b) European option

c) Call options

d) None of these

85. Hedging risk for a long position is accomplished by

a) taking another long position.

b) taking a short position.

c) taking additional long and short positions in equal amounts.

d) taking a neutral position.

86. A call option gives the owner

a) the right to sell the underlying security.

b) the obligation to sell the underlying security.

- c) the right to buy the underlying security.
- d) the obligation to buy the underlying security

87. Elimination of riskless profit opportunities in the futures market is

- a) hedging.
- b) arbitrage.
- c) speculation.
- d) underwriting.

88. A long contract requires that the investor

- a) sell securities in the future.
- b) buy securities in the future.
- c) hedge in the future.
- d) close out his position in the future.

89. ----- is a contract through which each parties exchange the cash flows or liabilities from two different financial instrument.

- a) Swap
- b) Forward
- c) Option
- d) None of these

90. ETD stands for

- a. Electronic traded derivatives
- b. Equity traded derivatives
- c. Exchange traded derivatives
- d. Estimated trade del

91. The advantage of forward contracts over futures contracts is that they

- a) are standardized.

- b) have lower default risk.
- c) are more flexible.
- d) both (a) and (b) are true.

92. Agreed price of ----- contract is known as strike price.

- a) Future
- b) Option
- c) Swap
- d) None of these

93. A swap that involves the exchange of a set of payments in one currency for a set of payments in another currency is a(n)

- a) interest rate swap.
- b) currency swap.
- c) swaptions.
- d) national swap.

94. The disadvantage of swaps is that they

- a) lack liquidity.
- b) are difficult to arrange for a counterparty.
- c) suffer from default risk.
- d) all of the above.

95. A call option gives the seller

- a) the right to sell the underlying security.
- b) the obligation to sell the underlying security.
- c) the right to buy the underlying security.
- d) the obligation to buy the underlying security.

96. The payoffs for financial derivatives are linked to
- a) Securities that will be issued in the future
 - b) The volatility of interest rates
 - c) Previously issued securities
 - d) Government regulations specifying allowable rates of return.
97. The markets in which derivatives are trade is known as
- a) Asset backed market
 - b) Cash market
 - c) Mortgage market
 - d) Derivative market
98. Euro convertible bonds issued by Indian companies refer to bonds issued in foreign currency in
- a) India or any country outside India
 - b) European countries only
 - c) India and any country in Europe
 - d) Any country other than India
99. Forward contracts are risky because they
- a) are subject to lack of liquidity
 - b) are subject to default risk.
 - c) hedge a portfolio.
 - d) both (a) and (b) are true.
100. An option allowing the owner to sell an asset at a future date is a
- a) put option
 - b) call option

- c) swap
 - d) forward contract.
101. Assume you are holding Treasury securities and have sold futures to hedge against interest rate risk. If interest rates fall
- a) the increase in the value of the securities equals the decrease in the value of the futures contracts.
 - b) the decrease in the value of the securities equals the increase in the value of the futures contracts.
 - c) the increase in the value of the securities exceeds the decrease in the values of the futures contracts.
 - d) both the securities and the futures contracts increase in value.
102. If you sold a short future contract you will hope that interest rates
- a) rise.
 - b) fall.
 - c) are stable.
 - d) fluctuate.
103. The initial amount paid by option buyer at the time of entering the contract
- a) Option margin
 - b) Option premium
 - c) Option money
 - d) Option title
104. Which of the following is potentially obligated to sell an asset at a predetermined price?
- a) A put buyer.
 - b) A call buyer.

- c) A put writer.
 - d) A call writer
105. A swap deal wherein floating rate payer pays the floating rate square or cubic or any power of the rate to the counter party
- a) Leveraged swap
 - b) Quanto swap
 - c) Power swap
 - d. Overnight index swap
106. Which theory believes that the investors prefer larger to smaller returns from securities ?
- a) Modern
 - b) Traditional
 - c) Markowitz
 - d) Sharpe
107. The Markowitz model identifies the efficient set of portfolios, which offers the-----
- a) Highest return for any given level of risk or the lowest risk for any given level of return.
 - b) Least-risk portfolio for a conservative, middle-aged investor.
 - c) Long-run approach to wealth accumulation for a young investor.
 - d) Risk-free alternative for risk-averse investors.
108. A portfolio having two risky securities can be turned risk less if
- a) The securities are completely positively correlated
 - b) If the correlation ranges between zero and one
 - c) The securities are completely negatively correlated
 - d) None of the above.
109. Financial risk involves
- a) Risk of insolvency
 - b) Risk of variation in expected earning
 - c) Both a& b
 - d) None of the above

110. A statistical measure of the degree to which two variables (e.g., securities' returns) move together.
- a) Coefficient of variation
 - b) Variance
 - c) Covariance
 - d) Certainty equivalent
111. The fundamental analysis approach has been associated with
- a) Uncertainties
 - b) Certainties
 - c) Ratios
 - d) Balance sheet
112. Risk of two securities with different expected return can be compared with:
- a) Coefficient of variation
 - b) Standard deviation of securities
 - c) Variance of Securities
 - d) None of the above
113. A line that describes the relationship between an individual security's returns and returns on the market portfolio.
- a) Characteristic line
 - b) Security market line
 - c) Capital market line
 - d) Beta
114. Efficient frontier comprises of
- a) Portfolios that have negatively correlated securities
 - b) Portfolios that have positively correlated securities
 - c) Inefficient portfolios
 - d) Efficient portfolios
115. According to the capital-asset pricing model (CAPM), a security's expected (required) return is equal to the risk-free rate plus a premium.
- a) Equal to the security's beta.
 - b) Based on the unsystematic risk of the security.
 - c) Based on the total risk of the security.
 - d) Based on the systematic risk of the security.
116. The risk-free security has a beta equal to _____, while the market portfolio's beta is equal to _____.
- a) one; more than one.
 - b) one; less than one.
 - c) zero; one

- d) less than zero; more than zero.
117. Beta is the slope of
- a) The security market line.
 - b) The capital market line.
 - c) A characteristic line.
 - d) The CAPM.
118. 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
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119. Which of the following is a financial investment?
- a) Share
 - b) Farm house
 - c) Car
 - d) T. V. Set
120. Capital market line is:
- a) Capital allocation line of a market portfolio
 - b) Capital allocation line of a risk free asset
 - c) Both a and b
 - d) None of the above
121. All personal investing is designed to achieve certain
- a) Objective
 - b) Investment
 - c) Risk
 - d) Returns
122. CAPM accounts for:
- a) Unsystematic risk
 - b) Systematic risk
 - c) Both a and b
 - d) None of the above
123. Which of the following is tax saving investment?
- a) Fixed deposit
 - b) Shares
 - c) PPF
 - d) Post office saving

124. The point of tangency between risk return indifference curves and efficient frontier highlights:
- a) Optimal portfolio
 - b) Efficient portfolio
 - c) Sub-optimal portfolio
 - d) None of the above
125. The object of portfolio is to reduceby diversification
- a) Return
 - b) Risk
 - c) Uncertainty
 - d) Percentage
126. This type of risk is avoidable through proper diversification
- a) Portfolio risk
 - b) Systematic risk
 - c) Unsystematic risk
 - d) Total risk
127. Beta is the slope of
- a) The security market line
 - b) The capital market line
 - c) A characteristic line
 - d) The CAPM
128. Company-specific risk is also known as _____
- a) Market risk.
 - b) Systematic risk.
 - c) Non-diversifiable risk.
 - d) Idiosyncratic risk
129. A measure of risk per unit of expected return
- a) Standard deviation
 - b) Coefficient of variation
 - c) Correlation coefficient
 - d) Beta
130. 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 .
131. The fundamental analysis is a method of finding out
- a) Ratio
 - b) Value of shares
 - c) Tips

- d) Future price of a security
132. Which analysis provides a simplified picture of price behaviour of a shares
- a) Fundamental
 - b) Technical
 - c) Ratio
 - d) Fund flow
133. A model for optimizing the selection of securities is the _____ model.
- a) Miller-Orr.
 - b) Black-Sholes.
 - c) Markowitz.
 - d) Gordon
134. Return of investment is determined by
- a) Net profit
 - b) Capital employed
 - c) Net worth
 - d) Net profit & capital employed
135. The stage of start up of an industry .
- a) Pioneering
 - b) Rapid growth
 - c) Maturity
 - d) Decline
136. 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
137. The stage when poor performers start winding up their business
- a) Pioneering
 - b) Rapid growth
 - c) Maturity
 - d) Decline
138. Which analysis provides a simplified picture of price behaviour of a shares
- a) Fundamental
 - b) Technical
 - c) Financial
 - d) Any
139. The financial market can be divided into and market.
- (a) Primary, Secondary.
 - (b) Money, Capital.
 - (c) Organized, OTC.
 - (d) None of the Above.
140. Return on investment is determined by ...

- a) Net profit
- b) Capital employed
- c) Net worth
- d) Net profit & capital employed

141. Modern portfolio theory the relationship between risk and return

- a) Maximizes
- b) Minimizes
- c) Quantifies
- d) Does not assume

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

- a) Beta
- b) Standard deviation
- c) Variance
- d) Range

143. Efficient portfolios can be defined as those portfolios which for a given level of risk provides

- a) Maximum return
- b) Average return
- c) Minimum return
- d) None of the above

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

- a) Business risk
- b) Financial risk
- c) Beta coefficient
- d) Systematic risk

145. The market portfolio has a beta of

- a) -1.0
- b) 2.0
- c) 1.0
- d) 0.5

146. Which of the following is not related to overall market variability?

- a) Financial risk.
- b) Interest rate risk.
- c) Purchasing power risk.
- d) Market risk.

147. The beta of the risk free asset is

- a) -1.0
- b) 2.0
- c) 1.0
- d) 0

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

- a) Gain tax saying
- b) Balance of capital structure
- c) Gain control
- d) Increase EPS

149. The point of tangency between risk return indifference curves and efficient frontier highlights:

- a) Optimal portfolio
- b) Efficient portfolio
- c) Sub-optimal portfolio
- d) None of the above

150. An appropriate capital structure is

- a) Flexible
- b) Conservator
- c) Minimum risk of loss of control
- d) a,b,c

Answer Key

1	A	31	C	61	A	91	C	121	A
2	B	32	A	62	B	92	B	122	B
3	C	33	A	63	A	93	B	123	C
4	B	34	C	64	D	94	D	124	A
5	D	35	A	65	D	95	B	125	B
6	B	36	A	66	D	96	C	126	C
7	B	37	D	67	D	97	D	127	C
8	A	38	C	68	B	98	D	128	C
9	D	39	B	69	D	99	D	129	B
10	A	40	D	70	C	100	A	130	A
11	A	41	B	71	C	101	A	131	D
12	D	42	C	72	B	102	A	132	B
13	A	43	D	73	C	103	B	133	C
14	C	44	A	74	A	104	D	134	D
15	A	45	D	75	A	105	C	135	A
16	C	46	B	76	C	106	A	136	A
17	D	47	A	77	A	107	D	137	D
18	D	48	B	78	C	108	C	138	B
19	A	49	C	79	D	109	C	139	C
20	A	50	D	80	A	110	C	140	D
21	B	51	B	81	B	111	A	141	C
22	A	52	D	82	A	112	A	142	A
23	B	53	A	83	D	113	A	143	A
24	A	54	C	84	B	114	D	144	C

25	D	55	C	85	B	115	D	145	C
26	C	56	A	86	C	116	C	146	A
27	D	57	B	87	B	117	C	147	D
28	B	58	C	88	B	118	A	148	D
29	D	59	B	89	A	119	A	149	A
30	C	60	B	90	C	120	C	150	D