National Testing Agency

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Introduction to Investments

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Introduction to Investments

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Question Number : 1 Question Id : 4165296946 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Consider a $2000 annual investment into an IRA that is expected to earn 9% per year in a mutual fund for the next 30 years. Tax rates of 40% apply before retirement and 20% after retirement. The after-tax value of the IRA at retirement is closest to:

a) 272000
b) 218000
c) 26000
d) 27000

Question Number : 2 Question Id : 4165296947 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

$55 invested at the beginning of the year grows at 6% and gives a dividend of $4.00. The HPR is ________.

a) 3.5%.
b) 4%.
c) 6%.
d) 13.27%.

Question Number : 3 Question Id : 4165296948 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Calculate fully equivalent taxable yield of a bond yielding 9%. (State tax-10% and federal tax- 30%)

a) 6.43%.
b) 9%.
c) 12.85%.
d) 15%.

Question Number : 4 Question Id : 4165296949 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

_________ assets generate net income to the economy and __________ assets define allocation of income among investors.

a) Financial, financial.
b) Financial, real.
c) Real, financial.
d) Real, real.

Question Number : 5 Question Id : 4165296950 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

You put up $50 at the beginning of the year for an investment. The value of the investment grows 4% and you earn a dividend of $3.50. Your HPR was ____.

a) 4%.
b) 3.5%.
c) 7%.
d) 11%.

Question Number : 6 Question Id : 4165296951 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Suppose you pay $9,400 for a $10,000 par Treasury bill maturing in six months. What is the effective annual rate of return for this investment?

a) 6.38%.
b) 12.77%.
c) 13.17%.
d) 14.25%.

Question Number : 7 Question Id : 4165296952 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

If you are promised a nominal return of 12% on a one year investment, and you expect the rate of inflation to be 3%, what real rate do you expect to earn?

a) 5.48%.
b) 8.74%.
c) 9%.
d) 12%.

Question Number : 8 Question Id : 4165296953 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The most expensive stock among the 30 that comprise the Dow Jones Industrial Averages is $160 (IBM). However, the level of the DJIA is 16000. How would you reconcile these numbers?

a) Divide the DJIA by 100.
b) The divisor for the DJIA is really large.
c) The divisor for the DJIA is really small.
d) None of the options above.

Question Number : 9 Question Id : 4165296954 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The issue process where investors submit bids for a new issue and the shares in an IPO are successively allocated from the highest bidder downward until the entire issue is sold is called a ___________________.

a) secondary offering.
b) a best efforts offering.
c) A dutch auction.
d) A firm commitment offering.

Question Number : 10 Question Id : 4165296955 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The New York Stock Exchange is a good example of _________.

a) a brokered market.
b) a direct search market.
c) an auction market.
d) a dealer market.

Question Number : 11 Question Id : 4165296956 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

An investor puts up $5,000 in equity and borrows an equal amount of money at 7% per year from their broker. The total capital is used to purchase stock at $25 per share. One year later, the investor sells the stock for $28. The investor's rate of return was _________.

a) 12%.
b) 14%.
c) 17%.
d) 19%.

Question Number : 12 Question Id : 4165296957 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Of the following policy tools listed below, which one is probably the most immediate way to stimulate or slow the economy.

a) Monetary policy.
b) Fiscal policy.
c) Supply-side policy.
d) Increasing the minimum wage.

Question Number : 13 Question Id : 4165296958 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

You purchased 200 shares of ABC common stock on margin at $50 per share. Assume the initial margin is 50% and the maintenance margin is 30%. At what stock price will you get a margin call ? Assume the stock pays no dividends and ignore interest on the margin loan.)

a) $25.40
b) $35.71
c) $45.65
d) $51.55

Question Number : 14 Question Id : 4165296959 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

You purchased 300 shares of common stock currently priced at $20 per share. You are subject to an initial margin of 55% on this purchase. Assume the stock pays stock pays no dividends and ignore interest on the margin account. If you sell the stock at $31, your rate of return would be _______________.

a) 45%.
b) 55%.
c) 100%.
d) 155%.

Question Number : 15 Question Id : 4165296960 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

When financial analysts carry out a top-down analysis of a firm, they usually start by studying the _____________.

a) the specifics of the firm's operations.
b) the firm's position in its industry.
c) the industry's position.
d) the domestic (or global) economy in which the firm operates.

Question Number : 16 Question Id : 4165296961 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

A big increase in government spending is an illustration of _________.

a) a positive demand-side shock to the economy
b) a negative demand-side shock to the economy
c) a negative supply-side shock to the economy
d) a positive supply-side shock to the economy

Question Number : 17 Question Id : 4165296962 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

According to technical analysts, a shift in market fundamentals will __________.

a) be reflected in stock prices immediately.
b) not affect the volatility in stock prices
c) not change market prices at all.
d) lead to a gradual price change that is recognizable as a trend.

Question Number : 18 Question Id : 4165296963 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Which statement below about interpreting oscillators is untrue?

a) they will always move faster than the price.
b) they can be calculated as the difference between two moving averages.
c) they can be calculated on advances-declines counts instead of prices.
d) they are calculated for a specific time period.

Question Number : 19 Question Id : 4165296964 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

When an economy appears about to enter into a recessionary phase, then you would consider adjusting how you allocate your investible funds by selling ____________.

a) Long-term bonds
b) Defensive stocks
c) Short-term bonds
d) Growth stocks

Question Number : 20 Question Id : 4165296965 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The best ratio to use when conducting a comparables or relative valuation is:
a) Price - Earnings ratio
b) Price - Book ratio
c) Price - Cash Flow Ratio.
d) A ratio that is deemed appropriate for the company under study

Question Number : 21 Question Id : 4165296966 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Vegetable growers Inc pays 40% of its earnings (net income) of Rs 9.6 crores as dividends. The company's equity makes up 80% of its total capitalization of 50 crores. Its sustainable growth rate is:
a) 9.6%.
b) 14.4%.
c) 24%.
d) 40%.

Question Number : 22 Question Id : 4165296967 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Which of the following contradicts the proposition that the stock market is weak-form efficient ?
a) Over 25% of mutual funds outperform the market on average
b) Insiders earn abnormal trading profits
c) Every January, the stock market earns above normal returns
d) Applications of technical trading rules fail to earn abnormal returns

Question Number : 23 Question Id : 4165296968 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Amar, Akbar and Anthony are all analyzing a dividend-paying stock for possible purchase. Amar plans to hold the stock for one year and Akbar for three years. Anthony takes a really long-term view and intends to hold the stock until retirement, 10 years away. Which one of the following statements is correct?
a) Amar will be willing to pay the most for the stock because he can expect return of his investment the soonest as he intends to sell in one year.
b) Akbar will pay three times as much as Amar because he intends to hold the stock three times longer.
c) Anthony should be willing to pay the most for the stock because he will get the most dividends by holding the stock the longest.
d) All three should be willing to pay the same amount for the stock regardless of their holding period.

Question Number : 24 Question Id : 4165296969 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Security selection refers to _______________
a) choosing which securities to hold based on their valuation.
b) investing only in "safe" securities.
c) the allocation of assets into broad asset classes.
d) top-down analysis.

Question Number : 25 Question Id : 4165296970 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

In order for you to be indifferent between the after-tax returns on a corporate bond paying 8.5% and a tax-exempt government bond paying 6.12%, what would your tax bracket need to be?
a) 33%.
b) 72%.
c) 15%.
d) 28%.

Question Number : 26 Question Id : 4165296971 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

You sold short 200 shares of common stock at Rs. 60 per share. The initial margin is 60%. Your initial investment was _________.

a) Rs. 4,800.

b) Rs. 12,000.

c) Rs. 5,600.

d) Rs. 7,200.

Question Number : 27 Question Id : 4165296972 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

A year ago, you invested $1,000 in a savings account that pays an annual interest rate of 9%. What is your approximate annual real rate of return if the rate of inflation was 4% over the year?

a) 5%.

b) 10%.

c) 7%.

d) 3%.

Question Number : 28 Question Id : 4165296973 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

__________ focus more on past price movements of a firm's stock than on the underlying determinants of future profitability.

a) Credit analysts

b) Fundamental analysts

c) Systems analysts

d) Technical analysts

Question Number : 29 Question Id : 4165296974 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

A firm's earnings per share increased from Rs.10 to Rs.12, dividends increased from Rs.4.00 to Rs. 4.80, and the share price increased from Rs. 80 to Rs. 90. Given this information, it follows that ________________.

a) the stock experienced a drop in the P/E ratio.

b) the firm had a decrease in dividend payout ratio.

c) the firm increased the number of shares outstanding.

d) the required rate of return decreased.

Question Number : 30 Question Id : 4165296975 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

A firm has a return on equity of 14% and a dividend payout ratio of 60%. The firm's anticipated growth rate is

a) 5.6%.

b) 10%.

c) 14%.

d) 20%.

Question Number : 31 Question Id : 4165296976 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

A preferred stock will pay a dividend of Rs.3.00 in the upcoming year and every year thereafter; i.e., dividends are not expected to grow. You require a return of 9% on this stock. Use the constant growth Dividend Discount Model to calculate the intrinsic value of this preferred stock.

a) Rs. 33.33

b) Rs. 0.27

c) Rs. 31.82

d) Rs. 56.25

Question Number : 32 Question Id : 4165296977 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The most appropriate discount rate to use when applying a FCFE valuation model is the _______________.

a) required rate of return on equity
b) WACC
c) Risk-free rate
d) None of the above options

Question Number : 33 Question Id : 4165296978 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

If you require a real growth in the purchasing power of your investment of 8%, and you expect the rate of inflation over the next year to be 3%, what is the lowest nominal return that you would be satisfied with?

a) 3%.
b) 8%.
c) 11%.
d) 11.24%.

Question Number : 34 Question Id : 4165296979 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Five years ago, you invested $ 100,000 in a mutual fund. The money has been growing at the rate of 6% per year. Its REALvalue is 86975.5, (relative to what could have been purchased 5 years ago). The annual rate of inflation over this period has been:

a) 7%.
b) 8%.
c) 9%.
d) 10%.

Question Number : 35 Question Id : 4165296980 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

High Tech Chip Company is expected to have EPS in the coming year of $2.50. The expected ROE is 12.5%. An appropriate required return on the stock is 11%. If the firm has a plowback ratio of 70%, the growth rate of dividends should be _______________.

a) 5.00%.
b) 6.25%.
c) 6.60%.
d) 8.75%.

Question Number : 36 Question Id : 4165296981 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Many stock analysts assume that a mispriced stock will _______________.

a) immediately return to its intrinsic value.
b) return to its intrinsic value within a few days.
c) never return to its intrinsic value.
d) gradually approach its intrinsic value over several years.

Question Number : 37 Question Id : 4165296982 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The process of estimating the dividends and earnings that can be expected from the firm based on determinants of value is called _____________.

a) business cycle forecasting.
b) macroeconomic forecasting.
c) technical analysis.
d) fundamental analysis.

Question Number : 38 Question Id : 4165296983 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

If a firm has a required rate of return equal to the ROE
a) the firm can increase market price and P/E by retaining more earnings.
b) the firm can increase market price and P/E by increasing the growth rate.
c) the amount of earnings retained by the firm does not affect market price or the P/E.
d) the firm can increase market price and P/E by retaining more earnings and increasing the growth rate.

Question Number : 39 Question Id : 4165296984 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The risk premium for common stocks ____________________.
a) cannot be zero, for investors would be unwilling to invest in common stocks.
b) must always be positive, in theory.
c) is negative, as common stocks are risky.
d) cannot be zero, for investors would be unwilling to invest in common stocks and must always be positive, in theory.

Question Number : 40 Question Id : 4165296985 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Torque Corporation is expected to pay a dividend of Rs. 1.00 in the upcoming year. Dividends are expected to grow at the rate of 6% per year. The risk-free rate of return is 5% and the expected return on the market portfolio is 13%. The stock of Torque Corporation has a beta of 1.2. What is the return you should require on Torque's stock?
a) 12%.
b) 14.6%.
c) 15.6%.
d) 20%.

Question Number : 41 Question Id : 4165296986 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

QTC Inc is a firm that just earned $ 2.00 per share. These earnings are expected to grow at 20% for 3 years. In the long run, earnings growth is targeted to earn a return on equity of 22.5%. 60% of earnings are paid as dividends. QTC has a required rate of return of 16%. The long-term growth rate for QTC Inc after three years is closest to:
a) 9%.
b) 13.5%.
c) 20%.
d) 22.5%.

Question Number : 42 Question Id : 4165296987 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Suppose say, QTC Inc, a firm, just earned $ 2.00 per share. These earnings are expected to grow at 20% for 3 years. In the long run, earnings growth is targeted to earn a return on equity of 22.5%. 60% of earnings are paid as dividends. QTC has a required rate of return of 16%. The expected price of this company's stock in 3 years is closest to _______.
a) 29.6
b) 32.3
c) 53.81
d) None of the above

Question Number : 43 Question Id : 4165296988 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Soon after James bought a stock at $57 per share, its price declined to $55. He waited for it to bounce back to $57 and sold it when it got there, so that he eliminated his loss. If this kind of trading pattern emerges, investors could short at $57, cover at $55 and immediately go long again for the ride back up to $57. Such a trading pattern contradicts ____________.
a) strong-form market efficiency
b) weak-form market efficiency
c) technical analysis
d) the semi-strong-form market efficiency

Question Number : 44 Question Id : 4165296989 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The margin requirement on a stock purchase is 25%. You fully use the margin allowed to purchase 100 shares of MSFT at $25. If the price drops to $22, what is your percentage loss?
a) 8%.
b) 23.5%.
c) 48.0%.
d) 59.0%.

Question Number : 45 Question Id : 4165296990 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Assume you purchased 300 shares of IDX common stock at $40 per share. You are subject to a 60% initial margin. The amount you borrowed on margin is: ______.
a) $4800
b) $7200
c) $10000
d) $12000

Question Number : 46 Question Id : 4165296991 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Sure Tool Company is expected to pay a dividend of Rs. 2 in the upcoming year. The risk-free rate of return is 4% and the expected return on the market portfolio is 14%. Analysts expect the price of Sure Tool Company shares to be Rs. 22 a year from now. The beta of Sure Tool Company's stock is 1.25. The market's required rate of return on Sure's stock is ________.
a) 14.0%.
b) 17.5%.
c) 16.5%.
d) 15.25%.

Question Number : 47 Question Id : 4165296992 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Paper Express Company has a balance sheet which lists Rs. 85 million in assets, Rs. 40 million in liabilities, and Rs. 45 million in common shareholders' equity. It has 1,400,000 common shares outstanding. The replacement cost of the assets is Rs. 115 million. The market share price is Rs. 90. What is Paper Express's market value per share?
a) $1.68
b) $2.60
c) $32.14
d) None of the options

Question Number : 48 Question Id : 4165296993 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Consider the free cash flow approach to stock valuation. Utica Manufacturing Company is expected to have before-tax cash flow from operations of Rs. 500,000 in the coming year. The firm's corporate tax rate is 30%. It is expected that Rs. 200,000 of operating cash flow will be invested in new fixed assets. Depreciation for the year will be Rs. 100,000. After the coming year, cash flows are expected to grow at 6% per year. The appropriate market capitalization rate for unleveraged cash flow is 15% per year. The firm has no outstanding debt. The projected free cash flow of Utica Manufacturing Company for the coming year is _________.
a) Rs. 150,000
b) Rs. 180,000
c) Rs. 300,000
d) Rs. 380,000

Question Number : 49 Question Id : 4165296994 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical
Correct Marks : 2 Wrong Marks : 0
If an investment provides a 1.25% return quarterly, its effective annual rate is
a) 5.23%
b) 5.09%
c) 4.02%
d) 4.04%

Question Number : 50 Question Id : 4165296995 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical
Correct Marks : 2 Wrong Marks : 0
Other things being equal, a low ________ would be most consistent with a relatively high growth rate of firm earnings and dividends
a) dividend payout ratio
b) degree of financial leverage
c) variability of earnings
d) inflation rate

Question Number : 51 Question Id : 4165296996 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical
Correct Marks : 2 Wrong Marks : 0
Gowentgone realized a HPR from a stock of 20%. Its ending price was $16 and its beginning price was $15. Its cash dividend must have been _________.
a) $0.25
b) $1.00
c) $2.00
d) $4.00

Question Number : 52 Question Id : 4165296997 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical
Correct Marks : 2 Wrong Marks : 0
Seesawseen got an EAR of 14% from an investment in bank's FD with monthly compounding. What was the Annual Percentage return quoted by the bank _____.
a) 11.33%.
b) 13.17%.
c) 14.00%.
d) 14.93%.

Question Number : 53 Question Id : 4165296998 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical
Correct Marks : 2 Wrong Marks : 0
Find the lowest nominal return that is required for a real growth in the purchasing power of an investment of 10% and the rate of inflation over the next year being 5%.
a) 5.00%.
b) 8.00%.
c) 10.00%.
d) 15.50%.

Question Number : 54 Question Id : 4165296999 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

The holding period return on a stock was 32%. Its beginning price was $25 and its cash dividend was $1.50. Its ending price must have been _________.

a) $28.50
b) $33.20
c) $31.50
d) $29.75

Question Number : 55 Question Id : 4165297000 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

An investment earns 15% returns in the first year. Assuming tax rates of 25%, what is the after-tax rate of return on this investment?

a) 10.50%.
b) 12.25%.
c) 11.25%.
d) 11.75%.

Question Number : 56 Question Id : 4165297001 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

An investment earns 15% returns in the first year. It earns 20% returns in the second year. Assuming tax rates of 25%, what is the geometric average annual after-tax return on this investment? Assume that taxes are paid as you go.

a) 11.70%.
b) 13.11%.
c) 10.25%.
d) 12.75%.

Question Number : 57 Question Id : 4165297002 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Use the following data to answer the question: (a) For "IDS Inc", the Expected return is 13% and Beta is 1.50, (b) For "MidC Inc", the Expected return is 10% and Beta is 0.75, (c) For "Risk-free" , the Expected return is 4% and Beta is 0.00. The reward-risk ratios for the two stocks, IDS and MidC are:

a) 6.00; 8.00
b) 8.67; 13.33
c) 6.00; 13.33
d) 8.00; 8.67

Question Number : 58 Question Id : 4165297003 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Given the following data: (a) For "IDS Inc", the Expected return is 13% and Beta is 1.50, (b) For "MidC Inc", the Expected return is 10% and Beta is 0.75, (c) For "Risk-free" , the Expected return is 4% and Beta is 0.00. Assume that MidC is properly priced and IDS has an expected price of 22.6 based on its current expected return. Assume further that the betas of the two stocks are accurate. What would be the new price of IDS Inc. as the market adjusts its risk-reward ratio to that of Mid C?

a) 19.48
b) 20.00
c) 20.55
d) 21.00

Question Number : 59 Question Id : 4165297004 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Rank the following types of markets from least integrated and organized to most integrated and organized. I. Brokered markets; II. Continuous auction markets; III. Dealer markets; IV. Direct search markets
a) IV, I, III, II.
b) IV, II, I, III.
c) I, III, IV, II.
d) II, III, IV, I.

Question Number : 60 Question Id : 4165297005 Question Type : MCQ Option Shuffling : No Display Question Number : Yes Single Line Question Option : No Option Orientation : Vertical

Correct Marks : 2 Wrong Marks : 0

Using 50% initial margin, you buy $8,000 worth of a stock priced at $40 per share. The broker charges 6% on the margin loan and requires a 30% maintenance margin. In one year the investor gets a margin call. At the time of the margin call the stock's price must have been _________.
a) $25.00
b) $29.77
c) $30.30
d) $33.40