

THE SOCIETY OF ACCOUNTING EDUCATION
CERTIFIED FINANCIAL & MANAGEMENT ACCOUNTANT MEMBERSHIP PROGRAM

Model Paper for Course: Feasibility and Portfolio Analysis

Course Code: SL-01

Level: Strategic Level

1. Shares of McDonald Corporation are an example of a (n):
 - A. **Standardized financial instrument**
 - B. Non-standardized financial instrument since their prices can differ over time
 - C. Standardized financial liability instrument
 - D. Open-end investment

2. Which of the following includes fixed income securities?
 - A. **Bonds**
 - B. Shares
 - C. Derivatives
 - D. Options

3. Companies that have capitalization amounts of less than \$500 million are known as _____.
 - A. **Small cap companies**
 - B. Mid cap companies
 - C. Growth companies
 - D. Large cap companies

4. In bar chart, which color indicates share prices are going down?
 - A. Blue
 - B. Black
 - C. White
 - D. **Red**

5. What will be the resulting figure, when gross profit is divided by net sales?
 - A. **Gross Margin**
 - B. Operating margin
 - C. Net margin
 - D. Profit margin

6. In bottom-up approach of fundamental analysis, investors begin their analysis with:
 - A. Industry
 - B. Economy
 - C. Market
 - D. **Company**

7. Which of the following is **EXCLUDED** from Porter's competitive factors?
- A. Substitute products or services
 - B. Changes in the economy**
 - C. Bargaining power of buyers
 - D. Rivalry between existing competitors
8. Which of the following is defined as the gradual loss in value of equipment and other tangible assets over the course of its useful life?
- A. Appreciation
 - B. Depreciation**
 - C. Revaluation
 - D. Amortization
9. On which of the following financial statements, revenues and expenses can be found?
- A. Balance sheet
 - B. Income Statement**
 - C. Statement of cash flows
 - D. Statement of changes in equity
10. Which of the following is an example of brokerage fee charged by a stockbroker?
- A. Margin profit
 - B. Insurance premium
 - C. Transaction cost**
 - D. Capital expenditure
11. Technical analysis is **NOT** applicable in which form of efficient market hypothesis?
- A. **Weak form efficiency**
 - B. Semi-strong form efficiency
 - C. Strong-form efficiency
 - D. Weak and strong form of efficiency
12. Which of the following suggests that people express a different degree of emotion towards gains than towards losses?
- A. Prospect Theory**
 - B. Illusion of control
 - C. Anchoring
 - D. Loss aversion
13. LSE 25 index was last reconstituted on _____ in line with the regular review policy.
- A. 20th December, 2002
 - B. 1st July, 2006**
 - C. 25th July, 2007
 - D. 1st July, 2008
14. Which of the following is considered to be a characteristic of an equity security?

- A. Fixed income
 - B. Debt
 - C. Price
 - D. Ownership**
15. Which of the following statement is **TRUE** about yield to maturity?
- A. Yield to maturity is inversely related to bond price**
 - B. Yield to maturity is always less than the yield to call
 - C. Yield to maturity will be less than the current yield
 - D. Yield to maturity tends to fall with a rise in duration
16. The yield to maturity is equal to the realized compound return if all coupon interest payments:
- A. Are not reinvested
 - B. Are reinvested at the market rate
 - C. Are reinvested at the bond's coupon rate
 - D. Are reinvested at the bond's yield to maturity**
17. Which of the following measures the sensitivity of an asset's price to interest rate movements, expressed as a number of years?
- A. Duration**
 - B. Yield to maturity
 - C. Convexity
 - D. Immunization
18. Which of the following statement is **FALSE** regarding bond duration?
- A. Duration is shorter than maturity for all bonds except zero coupon bonds
 - B. Duration is equal to maturity for zero coupon bonds
 - C. Duration is directly related to coupon yield**
 - D. Duration is measured in years
19. Which of the following statement is **TRUE** about duration of a bond?
- A. It is less than maturity for bonds paying coupon interest**
 - B. It is directly related to coupon yield
 - C. It decreases with maturity
 - D. It is greater than maturity for zero coupon bonds
20. Which of the following statement is **FALSE** regarding bond duration?
- A. Bond duration is inversely related to coupon rate
 - B. Duration of a zero-coupon bond equals its time to maturity
 - C. Holding maturity constant, a bond s duration is higher when the coupon rate is lower
 - D. Duration is longer than maturity for all bonds except zero coupon bonds**
21. Which of the following is known as speculative bond?
- A. Government bond
 - B. Municipal bond

- C. Sovereign bond
 - D. Junk bond**
22. Which of the following is referred to as risk-free bond?
- A. Government bond**
 - B. Municipal bond
 - C. Sovereign bond
 - D. Junk bond
23. Diversification is the only way to protect investors from:
- A. Market risk
 - B. Non Systematic risk**
 - C. Systematic risk
 - D. General risk
24. The excess return that an individual stock or the overall stock market provides over a risk-free rate is known as _____.
- A. Equity risk premium**
 - B. Bond horizon premium
 - C. Share premium
 - D. Liquidity premium
25. Systematic risk contains all of the following components **EXCEPT**:
- A. Purchasing power risk
 - B. Market risk
 - C. Business risk**
 - D. Interest rate risk
26. Which of the following bond redeems the principal amount at maturity and pays no periodic income?
- A. Municipal bond
 - B. Corporate bond
 - C. Junk bond
 - D. Zero coupon bond**
27. Which of the following measures deviation of returns from the mean?
- A. Variance
 - B. Standard Deviation**
 - C. Geometric mean
 - D. Correlation coefficient
28. Which of the following statement is **FALSE**?
- A. Each portfolio asset has a weight which represents the percent of the total portfolio value
 - B. Portfolio risk is not a weighted average of the risk of individual securities in the portfolio

- C. Portfolio risk is measured by variance or standard deviation of the portfolio's return
- D. None of the given options**
29. Which of the following is defined as a line that graphs the systematic, or market risk versus return of the whole market at a certain time and shows all risky marketable securities?
- A. **Security market line**
- B. Capital market line
- C. Budget line
- D. Value line
30. What is the other name used for optimal portfolio?
- A. Business portfolio
- B. Market portfolio
- C. Mutual fund portfolio
- D. Systematic portfolio**
31. Which of the following is **FALSE** regarding separation theorem?
- A. The firm's investment decision is independent of the preferences of the owner
- B. The investment decision is dependent on financial decision**
- C. Risky portfolios are not tailored to each individual's taste
- D. It is possible to separate investment decisions from financial decisions
32. Which of the following is a measure of securities volatility or systematic risk in comparison to the market as a whole?
- A. Beta
- B. Return on equity
- C. Liquidity
- D. Rate of return
33. A single-index model uses _____ as a proxy for the systematic risk factor.
- A. A market index, such as the S&P 500**
- B. The current account deficit
- C. The growth rate in GNP
- D. The unemployment rate
34. The concept that two identical assets cannot be sold at different prices is associated with which of the following theory?
- A. Prospect Theory
- B. Modern Portfolio Theory
- C. Dow Theory
- D. Arbitrage pricing theory**
35. Which of the following is NOT an anomaly related to efficient market hypothesis?
- A. Low PE effect

- B. The small firm effect
 - C. The neglected firm effect
 - D. Common size effect**
36. Which of the following is defined as an obligatory agreement to transact in the future, based on future price expectations?
- A. Forward contract**
 - B. Futures contract
 - C. Annuity contract
 - D. Spread contract
37. Which of the following is defined as a user of the market, who enters into futures contract to manage the risk of adverse price fluctuation in respect of his existing or future asset?
- A. Speculator
 - B. Broker
 - C. Hedger**
 - D. Arbitrager
38. S & P 500 future stock index closes at \$ 300 and spot price is \$ 325. What is its basis?
- A. -25
 - B. -30
 - C. 25**
 - D. 30
39. In which of the following situation, the writers of call options expect profit?
- A. When the stock price declines
 - B. When the stock prices remain the same
 - C. When increase in stock price is less than premium
 - D. All of the given options**
40. Which of the following is defined as an option whose payoff depends on whether or not the underlying asset has reached or exceeded a predetermined price?
- A. Barrier option**
 - B. Forward start option
 - C. Over-the-counter options
 - D. Compound options
41. An over-the-counter market can be defined as:
- A. A network of dealers connected electronically**
 - B. An illegal secondary market for stocks used primarily by those attempting to evade taxes
 - C. A primary market for stocks
 - D. A form of centralized exchange
42. Which of the following is specifically a measure of a volatility of the stock or mutual fund?
- A. Beta**

- B. Standard deviation
 - C. Covariance
 - D. None of the given options
43. Each division of the Standard Industrial Classification has several major industry groups, designated by which of the following codes?
- A. A uni-digit code
 - B. A bilingual code
 - C. **A two-digit code**
 - D. A tentative code
44. The Elliott Wave Theory is based on which of the following?
- A. A repeating 2 wave cycle
 - B. A repeating 4 wave cycle
 - C. **A repeating 8 wave cycle**
 - D. A repeating 16 wave cycle
45. On Balance Volume one of technical indicator use _____ as base.
- A. Demand
 - B. Supply
 - C. **Volume**
 - D. Price
46. Companies that have capitalization amounts between \$500 million and \$2billion are known as _____.
- A. Small cap companies
 - B. **Mid cap companies**
 - C. Growth companies
 - D. Large cap companies
47. Market value for shares of Company A is Rs. 500, company is paying an annul dividend of Rs. 10 to shareholders whereas earning par share is Rs. 100. What will be its P/E ratio?
- A. 10
 - B. 5.1

- C. **5**
- D. 4.9
48. In candlestick chart, what does white body candle depict?
- A. Prices are moving down
 - B. **Prices are moving up**
 - C. Prices are constant
 - D. Prices are fluctuating
49. _____ enables market participants to get accurate and up-to-date price information.
- A. Fair pricing function
 - B. **Continuous pricing function**
 - C. Economic function
 - D. Exchange function
50. Which of the following is **not** an asset?
- A. **accounts payable**
 - B. equipment
 - C. supplies
 - D. cash
51. Bid price for the shares is Rs. 650 and ask price is Rs. 640. What will be the spread in this case?
- A. **Rs. 10**
 - B. Rs. 1290
 - C. Rs. 645
 - D. Rs. 200
52. Which of the following allows you to specify the most you are willing to pay when buying or the least you are willing to accept when selling?
- A. **limit order**
 - B. market order

- C. stop order
 - D. good till cancelled order
53. An efficient market reflects which of the following information?
- A. **Past, current and inferred information**
 - B. Future and past information
 - C. Past and current information
 - D. Current and inferred information
54. _____ is a temporary restriction on program trading in a particular security or market, usually to reduce dramatic price movements.
- A. superdot
 - B. nyse direct
 - C. **trading curb**
 - D. ticker tape
55. Which of the following is relevant to market breadth?
- A. Specialist inventory
 - B. **Advance/declining ratio**
 - C. Fundamental analysis
 - D. Ticker tape
56. On Balance Volume technique of technical analysis was developed by:
- A. Charles Dow
 - B. **Joseph Granville**
 - C. John Bollinger
 - D. Welles Wilder
57. According to Dow Theory, primary trend is a:
- A. Short term trend

- B. **Long term trend**
 - C. Medium term trend
 - D. None of the given options
58. The circuit breaker that is applied where stock prices in the market are dropping is known as which of the following?
- A. Starter
 - B. **Floor**
 - C. Ceiling
 - D. Simulator
59. Which of the following function removes the fear of buying or selling at rip off price?
- A. **Fair pricing function**
 - B. Continuous pricing function
 - C. Economic function
 - D. Exchange function
60. _____ are financial intermediaries that hold a portfolio of securities on behalf of their shareholders.
- A. banking companies
 - B. growth companies
 - C. value companies
 - D. **investment companies**
61. Which of the following industry is sensitive to business cycle and price changes?
- A. Growth industry
 - B. **Cyclical industry**
 - C. Defensive industry
 - D. Interest sensitive industry
62. Financial securities with a maturity of less than a year from their original issue date are sold in which of following market?

- A. **Money market**
 - B. Bond market
 - C. Equity market
 - D. Derivative market
63. The primary purpose of the liquidity ratios is to determine:
- A. the amount of earnings paid to shareholders
 - B. the amount of working capital tied up in inventory
 - C. **The ability of a firm to pay off short-term obligations**
 - D. the relative level of short-term debt
64. The average price of a security or currency over a specified time period used to spot pricing trends by smoothing out the large fluctuations is known as:
- A. **Moving Average**
 - B. Standard deviation
 - C. Variance
 - D. Beta
65. Which of the following is TRUE regarding price earning ratio?
- A. $P/E = \text{Earnings available to common stockholders} / \text{outstanding shares}$
 - B. $P/E = \text{Market price per share} / \text{dividend per share}$
 - C. **$P/E = \text{Market price per share} / \text{earning per share}$**
 - D. $P/E = \text{Dividend per share} / \text{earning per share}$
66. The primary purpose of the liquidity ratios is to determine:
- A. the amount of earnings paid to shareholders
 - B. the amount of working capital tied up in inventory
 - C. **the ability of a firm to pay off short-term obligations**
 - D. the relative level of short-term debt
67. Under Dividend Discount Model (DDM) which of the following indicates that stock is overvalued?
- A. Value of stock from DDM > current trading price of stock
 - B. **Value of stock from DDM < current trading price of stock**
 - C. Value of stock from DDM = current trading price of stock
 - D. None of the given options

68. _____ provides an automatic execution of limit orders up to 1,099 shares at the best bid or offer.
- A. SuperDOT
 - B. NASDAQ
 - C. Auction market
 - D. **NYSE direct**
69. The Standard Industrial Classification codes have how many divisions?
- A. 9
 - B. **11**
 - C. 13
 - D. 15
70. A company is currently paying dividend of Rs. 12 to shareholders and the dividend growth rate is 5%. What will be the amount of dividend for next year?
- A. **$D_1 = 12 * (1+0.05) = 12.6$**
 - B. $D_1 = 12 * (1-0.05) = 11.4$
 - C. $D_1 = 12 / (1 - 0.05) = 12.6$
 - D. $D_1 = 12 / (1+0.05) = 12.63$
71. Which of the following is EXCLUDED from the reasons of investing?
- A. To obtain capital gain
 - B. To supplement their money
 - C. **To gather market information**
 - D. To experience an excitement
72. _____ believe that securities are priced according to fundamental economic data.
- A. **Fundamental analysis**
 - B. Ratio analysts
 - C. Technical analysts
 - D. Research analysts
73. The idea that money available at the present time is worth more than the same amount in the future is called:
- A. Present value
 - B. **Time value of money**
 - C. Future value
 - D. Annuity concept

74. Which of the following statement is a characteristic of line charts?
- A. Can be used for comparing two or more values
 - B. It is efficient in showing more details
 - C. It is simplest and most familiar chart**
 - D. None of the given choices
75. What does gross margin represents?
- A. The quality of a firm's operations
 - B. The percentage of earnings paid to shareholders
 - C. A company's capital structure
 - D. The percentage of revenue remaining after cost of goods**
76. If ABC Furniture earned \$5 million dollars of profit in a year, and the company had a market capitalization of \$85 million, what is the P/E Ratio?
- A. 9
 - B. 14
 - C. 17**
 - D. 22
77. Which of the following items will reduce stockholders' equity?
- A. Purchase of equipment
 - B. Purchase of supplies
 - C. Receiving a loan
 - D. Payment of salaries**
78. Which of the following is the annual net income from an average investment expressed as a percentage of average amount invested?
- A. Net asset value
 - B. Return on equity
 - C. Return on average investment**
 - D. Discounted value
79. Which of the following equity market indicator is price-weighted index?
- A. NASDAQ Composite Index
 - B. Standard & Poor's 500 Index
 - C. Nikkie 225 average**
 - D. NYSE Composite Index
80. Lahore Stock of Exchange is _____ based market indicator.
- A. Volume**
 - B. Capitalization
 - C. Price weighting
 - D. Profit

81. Which of the following is defined as the transformation of illiquid, non-marketable risky individual loans into asset-backed securities?
- A. **Securitization**
 - B. Sector rotation
 - C. Diversification
 - D. Risk aversion
82. Which of the following affects the price of the bond?
- A. Market interest rate
 - B. Required rate of return
 - C. Interest rate risk
 - D. **All of the given option**
83. Bond is a type of Direct Claim Security whose value is NOT secured by _____.
- A. Real assets
 - B. **Intangible assets**
 - C. Fixed assets
 - D. Tangible assets
84. Which of the following measure that how much a bond price-yield curve deviates from a straight line?
- A. Bond duration
 - B. **Bond convexity**
 - C. Bond valuation
 - D. All of the given options
85. Which of the following is known as speculative bond?
- A. Government bond
 - B. Municipal bond
 - C. Sovereign bond
 - D. **Junk bond**
86. The risk inherent to the entire market or entire market segment is known as:
- A. **Systematic risk**
 - B. Issuer risk
 - C. Specific risk
 - D. Nonsystematic risk
87. The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss is known as:
- A. Interest rate risk
 - B. Market risk
 - C. **Liquidity risk**
 - D. Default risk
88. Which of the following may be exchanged for common stock of the same corporation?

- A. Warrant
 - B. Exchangeable bond
 - C. Debenture
 - D. Convertible bond**
89. Which of the following statement is FALSE?
- A. Securities move together only because of their common relationship to the market index
 - B. The importance of each individual security's risk decreases as the number of securities increases
 - C. Risk and return tends to be lowest for investors who trade frequently**
 - D. The importance of covariance increases with an increase in number of securities
90. The average value of beta for all stocks in the market is:
- A. 0.5
 - B. 1.0**
 - C. 1.5
 - D. 2.0
91. The anomalies literature _____.
- A. Provides a conclusive rejection of market efficiency
 - B. Provides a conclusive support of market efficiency
 - C. Suggests that several strategies would have provided superior returns**
 - D. Provides a conclusive acceptance of market efficiency
92. The _____ gives the number of shares for which each convertible bond can be exchanged.
- A. Conversion ratio**
 - B. Current ratio
 - C. P/E ratio
 - D. Conversion premium
93. Which of the following is a financial instrument that conveys the right, but not the obligation, to engage in a future transaction on some underlying security, or in a futures contract?
- A. Options**
 - B. Futures
 - C. Swaps
 - D. Forwards
94. Which of the following is an agreement to exchange two currencies on one date and to reverse the transaction at a future date?
- A. Interest rate swap
 - B. Foreign currency swap**
 - C. Total return swap
 - D. Credit default swap

95. Which of the following is a derivative in which one party exchanges a stream of interest payments for another party's stream of cash flows?
- A. Foreign currency swap
 - B. Total return swap
 - C. Credit default swap
 - D. Interest rate swap**
96. Which of the following is defined as a market for the immediate sale and delivery of assets?
- A. Forward market
 - B. Laissez-faire market
 - C. Future market
 - D. Spot market**
97. Which of the following is defined as a trader, who trades or takes position without having exposure in the physical market, with the sole intention of earning profit?
- A. Hedger
 - B. Arbitrager
 - C. Speculator**
 - D. Broker
98. Which of the following refers to the simultaneous purchase and sale in two markets so that the selling price is higher than the buying price by more than the transaction cost?
- A. Hedging
 - B. Arbitrage**
 - C. Speculation
 - D. Brokerage
99. Which of the following is defined as the difference between spot price and future or forward price?
- A. Beta
 - B. ROI
 - C. Alpha
 - D. Basis**
100. Which of the following is TRUE regarding short hedge?
- A. Price realized= $S_2 + (F_1 - F_2)$**
 - B. Price realized= $S_2 (F_1 + F_2)$
 - C. Price realized= $S_2 (F_2 - F_1)$
 - D. Price realized= $S_2 + (F_1 + F_2)$
101. While calculating cost of asset under long hedge, what does F_2 indicate?
- A. Initial asset price
 - B. Initial futures price
 - C. Final asset price

D. Final futures price

102. S & P 500 future stock index closes at \$ 275 and spot price is \$ 230. What is its basis?
- A. 40
 - B. 45**
 - C. 50
 - D. 55
103. In which of the following situation, the writers of call options expect profit?
- A. When the stock price declines
 - B. When the stock prices remain the same
 - C. When increase in stock price is less than premium
 - D. All of the given options**
104. Which of the following contributes to the smooth operation of an option market?
- A. American Stock Exchange
 - B. Over the Counter Options
 - C. Chicago Board Options Exchange
 - D. Options clearing corporation**
105. Which of the following is defined as an option whose payoff depends on whether or not the underlying asset has reached or exceeded a predetermined price?
- A. Barrier option**
 - B. Forward start option
 - C. Over-the-counter options
 - D. Compound options
106. Which of the following is an option which is paid for now, but will start at some prespecified date in the future?
- A. Barrier option
 - B. Forward start option**
 - C. Over-the-counter options
 - D. Compound options
107. The direct trade between large institutional investors takes place in which of the following market?
- A. Primary market
 - B. Secondary market
 - C. Third market
 - D. Fourth market**
108. Which of the following statement is TRUE about value investors?
- A. They are patient**
 - B. They seek rapidly growing companies
 - C. They are speculators

- D.** They seek slow growing companies
109. An investor will purchase shares of companies in the development stage for:
- A. Current income
 - B. Current income and capital gains
 - C. Passive losses to offset other income
 - D. Capital gains only**
110. Which of the following items from the Income Statement is typically used to judge the success of a company?
- A. Earnings from continuing operations**
 - B. After-tax net income
 - C. Operating income
 - D. Diluted net income per share
111. Which one of the following financial instruments represents an ownership share in a corporation?
- A. Common stock**
 - B. Bond
 - C. Preferred stock
 - D. Term Finance certificates
112. There are ____ broad categories of financial assets.
- A. 2
 - B. 3**
 - C. 4
 - D. 5
113. Shares of McDonald Corporation are an example of a (n):
- A. Standardized financial instrument**
 - B. Non-standardized financial instrument since their prices can differ over time
 - C. Standardized financial liability instrument
 - D. Open-end investment
114. _____ promotes investment education and ethical behavior among those involved in the investment business.
- A. Licensed International Financial Analyst (LIFA)
 - B. Securities Investor Protection Corporation (SIPC)
 - C. Chartered Financial Analyst Institute (CFAI)**
 - D. Securities and Exchange Commission (SEC)
115. Which of the following function removes the fear of buying or selling at a rip off price?
- A. Fair pricing function**
 - B. Continuous pricing function
 - C. Economic function

- D. Exchange function
116. The trading of listed securities in the NASDAQ market is known as:
A. Primary market
B. Third market
C. Secondary market
D. Fourth market
117. Stocks of well-established companies that have stable earnings and no extensive liabilities are known as _____.
A. Growth stocks
B. Income stocks
C. Defensive stocks
D. Blue chip stocks
118. Which of the following statement regarding short sales is NOT true?
A. Short sales are done with the expectation that prices will rise
B. Short sales can be executed only on an uptrend
C. Short sales are all done on margin
D. Short sales may be executed by both individuals and market makers
119. Companies that have capitalization amounts between \$500 million and \$2billion are known as _____.
A. Small cap companies
B. Mid cap companies
C. Growth companies
D. Large cap companies
120. A procedure for valuing the price of a stock by using predicted dividends and discounting them back to present value is known as.
A. Capital Asset Pricing Model
B. Dividend Discount Model
C. The Residual Earning Model
D. None of the given options
121. In bar chart, which color indicates share prices are going up?
A. Black
B. White
C. Blue
D. Red
122. In candlestick chart, what does white body candle depict?
A. Prices are moving down
B. Prices are moving up
C. Prices are constant

- D. Prices are fluctuating
123. On Balance Volume technique of technical analysis was developed by:
A. Charles Dow
B. Joseph Granville
C. John Bollinger
D. Welles Wilder
124. Which of the following is relevant to market breadth?
A. Specialist inventory
B. Advance/declining ratio
C. Fundamental analysis
D. Ticker tape
125. The Elliot Wave Theory is based on repeating _____ waves cycle.
A. 4
B. 5
C. 7
D. 8
126. Which of the following is correct formula for calculating short interest ratio?
A. Average shares sold short / Average daily trading volume
B. Total shares sold short / Average daily trading volume
C. Total shares sold short / Total daily trading volume
D. None of the given options
127. ABC Furnitures worth \$51 million. What is another term for this?
A. Book value
B. Earning per share
C. Market value
D. Cost per share
128. Which of the following is TRUE regarding price per earning ratio?
A. $P/E = \text{Earnings available to common stockholders} / \text{outstanding shares}$
B. $P/E = \text{Market price per share} / \text{dividend per share}$
C. $P/E = \text{Market price per share} / \text{earning per share}$
D. $P/E = \text{Dividend per share} / \text{earning per share}$
129. When inflation and interest rates are low, Price per Earning (P/E) ratio tend to be:
A. High
B. Low
C. Minimum
D. Average
130. Which of the following industry is sensitive to business cycle and price changes?

- A. Growth industry
 - B. Cyclical industry**
 - C. Defensive industry
 - D. Interest sensitive industry
131. Which of the following items will reduce stockholders' equity?
- A. Purchase of equipment
 - B. Purchase of supplies
 - C. Receiving a loan
 - D. Payment of salaries**
132. Mutual funds pool the funds of savers and can be used to buy
- A. Shares in mutual savings banks only
 - B. A variety of financial instruments**
 - C. Shares in the Federal Reserve System
 - D. None of the given options
133. Which of the following is defined as an investment company whose capitalization constantly changes as new shares are sold and outstanding shares are redeemed?
- A. Unit investment trust
 - B. Closed-end investment company
 - C. Exchange traded fund company
 - D. Open-end investment company**
134. Which of the following is defined as the total market value of securities in an investment company's portfolio divided by the number of investing company fund shares currently outstanding?
- A. Discounted value
 - B. Present value
 - C. Future cash flow value
 - D. Net asset value**
135. Which of the following would be considered as the most bullish indicator?
- A. A price decrease with heavy volume
 - B. A price increase with small volume
 - C. A price increase on heavy trading**
 - D. No change in price but an increase in volume
136. Stocks can be purchased for a combination of cash and borrowed funds in:
- A. Margin account**
 - B. Cash account
 - C. IRA account
 - D. Option account

137. The average price of a security or currency over a specified time period used to spot pricing trends by smoothing out the large fluctuations is known as:
- A. **Moving Average**
 - B. Standard deviation
 - C. Variance
 - D. Beta
138. Which of the following is an intangible asset with an identifiable useful life?
- A. **Patent**
 - B. Timber
 - C. Goodwill
 - D. Trademark
139. Which of the following categories is NOT a financial statement element?
- A. **Cash flow**
 - B. Contributed capital
 - C. Assets
 - D. Distributions
140. _____ provides an automatic execution of limit orders up to 1,099 shares at the best bid or offer.
- A. SuperDOT
 - B. NASDAQ
 - C. Auction market
 - D. **NYSE direct**
141. The trading of listed securities in the NASDAQ market is known as:
- A. Primary market
 - B. **Third market**
 - C. Secondary market
 - D. Fourth market
142. A self-regulatory body that licenses brokers and generally oversees the trading practices of Over the counter(OTC) securities is known as _____ .
- A. Securities and Exchange Commission (SEC)
 - B. **National Association of Security Dealers (NASD)**
 - C. Initial Public Offering (IPO)
 - D. Offered for Sale (OFS)
143. Companies that have historically paid a larger than average percentage of their profit as dividend to their shareholders is known as:
- A. Blue chip companies

- B. Cyclical companies
 - C. Growth companies
 - D. Income companies**
144. A procedure for valuing the price of a stock by using predicted dividends and discounting them back to present value is known as.
- A. Dividend Discount Model**
 - B. The Residual Earning Model
 - C. None of the given options
 - D. Capital Asset Pricing Model
145. A good time is characterized by which of following situation?
- A. Market prices moving above the moving average**
 - B. Market prices moving below the moving average
 - C. Market prices exactly same as moving average
 - D. None of the given options
146. Which of the following statement is **FALSE** about Elliot Wave Theory?
- A. It made extensive use of Fibonacci series
 - B. It is based on repeating 8 waves' cycles
 - C. It identified three movements in security prices**
 - D. It was proposed by R.N. Elliot
147. Which of the following depicts ratio of share price to stockholder equity?
- A. Debt coverage ratio
 - B. Price-to-sales ratio
 - C. Price-to-market value ratio**
148. On which of the following financial statements, revenues and expenses can be found?
- A. Balance sheet
 - B. Income statement**
 - C. Statement of cash flows
 - D. Statement of changes in equity
149. Which of the following is a basket of stocks that tracks a particular sector, investment style, geographical area, or the market as a whole?
- A. Exchange traded fund**
 - B. Open-end fund
 - C. Closed-end fund
 - D. Unit investment trust
150. Which of the following is defined as an investment strategy that involves ongoing buying

- and selling actions by the investors?
- A. Make or Buy strategy
 - B. Active strategy**
 - C. Passive strategy
 - D. Buy-and-Hold strategy
151. Which of the following is an example of brokerage fee charged by a stockbroker?
- A. Margin profit
 - B. Insurance premium
 - C. Transaction cost**
 - D. Capital expenditure
152. Which of the following would be considered as the most bullish indicator?
- A. A price decrease with heavy volume
 - B. A price increase with small volume
 - C. A price increase on heavy trading**
 - D. No change in price but an increase in volume
153. Financial securities with a maturity of less than a year from their original issue date are sold in which of following market?
- A. Money market**
 - B. Bond market
 - C. Equity market
 - D. Derivative market
154. _____ enables market participants to get accurate and up-to-date price information.
- A. Fair pricing function
 - B. Continuous pricing function**
 - C. Economic function
 - D. Exchange function
155. The average price of a security or currency over a specified time period used to spot pricing trends by smoothing out the large fluctuations is known as:
- A. Moving Average**
 - B. Standard deviation
 - C. Variance
 - D. Beta
156. An investor will purchase shares of companies in the development stage for:
- A. Current income
 - B. Current income and capital gains
 - C. Passive losses to offset other income
 - D. Capital gains only**

157. Which of the following industry is **NOT** sensitive to business cycle and price changes?
- A. **Defensive industry**
 - B. Interest sensitive industry
 - C. Growth industry
 - D. Cyclical industry
158. Which of the following categories is **NOT** a financial statement element?
- A. **Cash flow**
 - B. Contributed capital
 - C. Assets
 - D. Distributions
159. Which of the following statement about a security is true, if it's beta > 1.0 ?
- A. **Security is more risky than the market**
 - B. Security is less risky than market
 - C. Security is exactly as risky as market
 - D. It is not possible to predict riskiness of a security by beta
160. A bad time in market will persist when the market prices move:
- A. Above the moving average
 - B. **Below the moving average**
 - C. Exactly same as moving average
 - D. Firstly up then down the moving average
161. What does price earning ratio indicate?
- A. It indicates how many interest payments could be made with a firm's earnings.
 - B. **It indicates how much investors pay for Rs.1 earning of the company.**
 - C. It indicates the percentage of earnings paid to shareholders.
 - D. It indicates the per share profit available for distribution to the shareholders.
162. Which of the following stock's price move in opposite direction to that of interest rates?
- A. Growth stock
 - B. Value stock
 - C. **Interest sensitive stock**
 - D. Defensive stock
163. Which of the following is **NOT** a component of ROA?
- A. Turnover
 - B. **Leverage**
 - C. Sales
 - D. Net income margin

164. Which of the following statement about the types of the orders is **LEAST** accurate?
- A. Market orders are orders to buy or sell at the best price available.
 - B. Limit orders are orders to buy or sell at or away from the market price.
 - C. A stop buy order is used to protect a short position in a security and is placed below the current market price.**
 - D. Limit order must specify a price and a time limit.
165. Which of the following statements regarding life cycle of an industry is **MOST** accurate?
- A. In the pioneering phase, profits are small or negative.**
 - B. In the mature growth phase, sales growth falls below normal for the first time.
 - C. During the stabilization phase, growth rates are still above the growth rates in economy.
 - D. The growth of the substitute products increases total market share & causes profits to increase in the deceleration phase.
166. Which of the following is **NOT** a fixed income security?
- A. Bonds
 - B. Preferred stock
 - C. Saving deposits
 - D. Options**
167. _____ are qualified and regulated professionals who trade shares and other securities through market makers on behalf of investors.
- A. Stock brokers**
 - B. Members
 - C. Specialists
 - D. Day traders
168. A self-regulatory body that licenses brokers and generally oversees the trading practices of Over the counter(OTC) securities is known as _____ .
- A. Securities and Exchange Commission (SEC)
 - B. National Association of Security Dealers (NASD)**
 - C. Initial Public Offering (IPO)
 - D. Offered for Sale (OFS)
169. _____ is a temporary restriction on program trading in a particular security or market, usually to reduce dramatic price movements.
- A. SuperDot
 - B. NYSE direct
 - C. Trading curb**
 - D. Ticker tape

170. A procedure for valuing the price of a stock by using predicted dividends and discounting them back to present value is known as.
- A. **Dividend Discount Model**
 - B. The Residual Earning Model
 - C. None of the given options
 - D. Capital Asset Pricing Model
171. In candlestick chart, what does white body candle depict?
- A. Prices are moving down
 - B. **Prices are moving up**
 - C. Prices are constant
 - D. Prices are fluctuating
172. Which of the following is a popular price pattern?
- A. Double ups
 - B. **Head and shoulders**
 - C. Triangles
 - D. Resistance and support
173. Primary trend in Dow Theory is known as _____.
- A. Wave
 - B. Triangle
 - C. **Tide**
 - D. Rounded bottom
174. The primary purpose of the liquidity ratios is to determine:
- A. The amount of earnings paid to shareholders
 - B. The amount of working capital tied up in inventory
 - C. **The ability of a firm to pay off short-term obligations**
 - D. The relative level of short-term debt
175. Which of the following statement is **TRUE** regarding earning per share?
- A. It represents the company's current obligation
 - B. It represents the ability of a company to repay its current liabilities
 - C. **It represents per share profit available for distribution to the shareholders**
 - D. It represents the percentage of earnings paid to shareholders
176. Which of the following industries is **LEAST** sensitive to changes in the business cycle?
- A. Manufactures of business plant and equipment
 - B. **Machine tools and special equipment, such as for pollution control**
 - C. Industries specializing in high technology
 - D. A refrigerators manufacturing company

177. Which of the following industry tend to be composed of relatively volatile and risky stocks?
- A. Defensive industries
 - B. Interest sensitive industries**
 - C. Growth industries
 - D. Cyclical industries
178. Which of the following is defined as an unmanaged, fixed-income security portfolio put together by a sponsor and handled by an independent trustee?
- A. Unit investment trust**
 - B. Closed-end investment
 - C. Open-end investment
 - D. Money market fund
179. _____ are financial intermediaries that hold a portfolio of securities on behalf of their shareholders.
- A. Banking companies
 - B. Growth companies
 - C. Value companies
 - D. Investment companies**
180. Which of the following statement about a security is true, if its beta < 1.0?
- A. Security is more risky than the market
 - B. Security is less risky than market**
 - C. Security is exactly as risky as maket
 - D. It is not possible to predict riskiness of a security by beta
181. Which of the following would be considered as the most bullish indicator?
- A. A price decrease with heavy volume
 - B. A price increase with small volume
 - C. A price increase on heavy trading**
 - D. No change in price but an increase in volume
182. Which of the following is **NOT** an asset?
- A. Accounts payable**
 - B. Equipment
 - C. Supplies
 - D. Cash
183. Which of the following statement about a security is true, if it's beta > 1.0?
- A. Security is more risky than the market**
 - B. Security is less risky than market
 - C. Security is exactly as risky as maket

- D. It is not possible to predict riskiness of a security by beta
184. Which of the following is **NOT** a requirement for an efficient market?
- A. Stock prices incorporate all information
 - B. All known information be reflected in prices
 - C. The adjustments occur very quickly
 - D. Each adjustment be perfect**
185. Which of the following allows you to specify the most you are willing to pay when buying or the least you are willing to accept when selling?
- A. Limit order**
 - B. Market order
 - C. Stop order
 - D. Good till cancelled order
186. In a candlestick chart, what does black body candle depict?
- A. Prices are moving up
 - B. Prices are moving down**
 - C. Prices are constant
 - D. Prices are fluctuating
187. Which of the following is **TRUE** regarding the Dow Theory?
- A. Dow Theory is primarily a fundamental analysis tool.
 - B. Dow Theory was developed by the publisher of Forbes magazine.
 - C. Dow Theory identified three movements in security prices.**
 - D. Dow Theory states that computer algorithms can be used to look for patterns.
188. Which of the following situations implies an upward sloping curve?
- A. Accelerating economic activity**
 - B. Static economic activity
 - C. Slowing economic activity
 - D. A recession period
189. Which of the following stock's price move in opposite direction to that of interest rates?
- A. Growth stock
 - B. Value stock
 - C. Interest sensitive stock**
 - D. Defensive stock
190. Which of the following is **NOT** a component of ROA?
- A. Turnover
 - B. Leverage**
 - C. Sales
 - D. Net income margin

191. Which of the following statement about short selling is **LEAST** accurate?
- A. The short seller must pay the lender of the stock any dividends paid by the company.
 - B. The short seller is required to replace the borrowed securities within six months of a short sale.
 - C. Proceeds from the short sale cannot be withdrawn from the account.**
 - D. The short seller hoped that the securities prices would decrease in the future.
192. A stop buy order is **MOST** likely:
- A. Used to limit the potential losses on a short sale
 - B. Executed if the market price is less than or equal to the specified level**
 - C. An order to purchase a security if the price decreases to a specified level
 - D. An order that specifies only the time limit
193. Shares of McDonald Corporation are an example of a (n):
- A. Standardized financial instrument**
 - B. Non-standardized financial instrument since their prices can differ over time
 - C. Standardized financial liability instrument
 - D. Open-end investment
194. Companies that have capitalization amounts between \$500 million and \$2billion are known as .
- A. Small cap companies
 - B. Mid cap companies**
 - C. Growth companies
 - D. Large cap companies
195. Which of the following is a popular price pattern?
- A. Resistance and support
 - B. Double ups
 - C. Head and shoulders**
 - D. Triangles
196. Which one of following statement is true if intrinsic value of a security is lower than its current market price?
- A. The security is being overvalued
 - B. The security is being undervalued**
 - C. The security is correctly valued
 - D. No connection exists between security intrinsic value and market price
197. If a company possess higher required rate of return, the justified P/E will be.
- A. Lower**
 - B. Higher

- C. Both will be same
D. None of given options
198. Which of the following stage is more important for the investors?
A. Pioneering stage
B. Expansion stage
C. Stabilization stage
D. Decline stage
199. Which of the following stage should be avoided by investors who are interested in capital gains?
A. Pioneering stage
B. Expansion stage
C. Decline stage
D. Stabilization stage
200. Which of the following industry is sensitive to business cycle and price changes?
A. Growth industry
B. Cyclical industry
C. Defensive industry
D. Interest sensitive industry
201. Mutual funds pool the funds of savers and can be used to buy _____ .
A. Shares in mutual savings banks only
B. A variety of financial instruments
C. Shares in the Federal Reserve System
D. None of the given options
202. In an efficient financial market, there would be no _____ .
A. Under/over priced securities
B. Financial intermediaries
C. Commissions
D. Taxes
203. An efficient market reflects which of the following information?
A. Past, current and inferred information
B. Future and past information
C. Past and current information
D. Current and inferred information
204. If stock advances are greater than declines by a wide margin, the market is perceived as .
A. Healthy
B. Stable
C. Stronger because of the widespread movement

- D. Weaker because of the widespread movement
205. An over-the-counter market can be defined as:
- A. **A network of dealers connected electronically**
 - B. An illegal secondary market for stocks used primarily by those attempting to evade taxes
 - C. A primary market for stocks
 - D. A form of centralized exchange
206. _____ are qualified and regulated professionals who trade shares and other security is through market makers on behalf of investors.
- A. **Stock brokers**
 - B. Members
 - C. Specialists
 - D. Day traders
207. Which of the following function removes the fear of buying or selling at rip off price?
- A. **Fair pricing function**
 - B. Continuous pricing function
 - C. Economic function
208. Which function of capital market facilitates transfer of money from savers to borrowers?
- A. **Economic function**
 - B. Fair pricing function
 - C. Exchange function
 - D. Continuous pricing function
209. _____ is a computerized device that relays financial information to investors around the world, including the stock symbol, the latest price and the volume of securities as they are traded.
- A. SuperDot
 - B. NYSE Direct
 - C. **Ticker tape**
 - D. Trading Curb
210. Companies that have historically paid a larger than average percentage of their profit as dividend to their shareholders is known as:
- A. Blue chip companies
 - B. Cyclical companies
 - C. Growth companies
 - D. **Income companies**

211. _____ think that supply and demand factors play the most important part.
- A. Ratio analysts
 - B. Technical analysts**
 - C. Research analysts
 - D. Fundamental analysts
212. According to Dow Theory, primary trend is a:
- A. Short term trend
 - B. Long term trend**
 - C. Medium term trend
 - D. None of the given options
213. Which of the following statement is FALSE about Elliot Wave Theory?
- A. It made extensive use of Fibonacci series
 - B. It is based on repeating 8 waves' cycles
 - C. It identified three movements in security prices**
 - D. It was proposed by R.N. Elliot
214. The idea of long term business cycle with a period of 50-60 years was proposed in which of the following theory?
- A. Kondratev Wave Theory**
 - B. Dow Theory
 - C. Elliot Wave Theory
 - D. None of the given options
215. Current ratio is also known as:
- A. Working capital ratio**
 - B. Acid test ratio
 - C. Debt coverage ratio
 - D. Dividend yield ratio
216. A ratio that indicates the extent to which a firm could pay its current liabilities without relying on the sale of inventory is known as:
- A. Current ratio
 - B. Quick ratio**
 - C. Inventory turnover ratio
 - D. Debt coverage ratio
217. Which of the following ratio depicts a firm's ability to cover its short-term obligations?
- A. Dividend yield ratio
 - B. Return on assets ratio
 - C. Debt coverage ratio
 - D. Current ratio**
218. Which of the following ratios would NOT be used to draw a conclusion about a

company's managerial effectiveness?

- A. Return on investment
 - B. Return on equity
 - C. Net margin
 - D. Price-Earnings ratio**
219. Which of the following functions do mutual fund companies perform for their investors?
- A. Record keeping and administration
 - B. Professional management
 - C. Diversification and divisibility
 - D. All of the given options**
220. Which of the following is defined as an unmanaged, fixed-income security portfolio puttogether by a sponsor and handled by an independent trustee?
- A. Unit investment trust**
 - B. Closed-end investment
 - C. Open-end investment
 - D. Money market fund
221. Which of the following stocks would be expected to adversely impact during periods of high interest rates?
- A. Consumer durable shocks
 - B. Interest-sensitive stocks**
 - C. Capital goods stocks
 - D. Defensive stocks
222. If an investor wants to avoid transaction costs, which of the following strategy should he select?
- A. Active strategy
 - B. Defensive strategy
 - C. Buy and hold strategy**
 - D. Sector rotation
223. Technical analysts _____ fundamental analysis.
- A. Always incorporate
 - B. Does not deny the value of**
 - C. Reject the value of
 - D. Have no connection with
224. Who was the grandfather of technical analysis?
- A. Harry Markowitz
 - B. William Sharpe
 - C. Charles Dow**
 - D. Benjamin Graham

225. In point and figure chart, what does X indicates?
- A. **Market price is going up**
 - B. Market price is going down
 - C. Market price remains constant
 - D. Market price is fluctuating
226. Which of the following statement about a security is true, if it's beta > 1.0?
- A. **Security is more risky than the market**
 - B. Security is less risky than market
 - C. Security is exactly as risky as maket
 - D. It is not possible to predict riskiness of a security by beta
227. Which of the following is a characteristic of line chart?
- A. It is efficient in showing more details
 - B. **It is simplest and most familiar chart**
 - C. It show the highest degree of accuracy
 - D. It can be used for comparing three values
228. In a candlestick chart, what does black body candle depict?
- A. Prices are moving up
 - B. **Prices are moving down**
 - C. Prices are constant
 - D. Prices are fluctuating
229. Who has introduced the On Balance Volume technique of technical analysis?
- A. Charles Dow
 - B. **Joseph Granville**
 - C. John Bollinger
 - D. Welles Wilder
230. When a company's market value is divided by sales, it is known as:
- A. Net income margin
 - B. Price-to-market value ratio
 - C. Price-to-book value ratio
 - D. **Price-to-sales ratio**
231. Which of the following situations implies an upward sloping curve?
- A. **Accelerating economic activity**
 - B. Static economic activity
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 - B. Static economic activity
 - C. Slowing economic activity
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- A. Growth stock
 - B. Value stock
 - C. Interest sensitive stock**
 - D. Defensive stock
251. Which of the following is **NOT** a component of ROA?
- A. Turnover
 - B. Leverage**
 - C. Sales
 - D. Net income margin
252. Which of the following is **NOT** an asset?
- A. Accounts payable**
 - B. Equipment
 - C. Supplies
 - D. Cash
253. The bond pricing relationship is customarily expressed in term of:
- A. Annual periods.
 - B. Semiannual periods**
 - C. Quarterly periods.
 - D. Monthly periods.

254. The higher the coupon on the bond:
- A. The lesser is its reinvestment rate risk.
 - B. The higher is its reinvestment rate risk.**
 - C. The higher is its reinvestment rate of return.
 - D. The lesser is its reinvestment rate of return.
255. _____ usually expire within a few weeks of their issuance.
- A. Bonds
 - B. Preferred stock
 - C. Rights
 - D. Derivatives**
256. Paying dividends reduces the amount in a firm's
- A. Reserves Account**
 - B. Checking Account
 - C. Profit and loss Account
 - D. Saving Account
257. Which of the following stage should be avoided by investors who are interested in capital gains?
- A. Pioneering stage
 - B. Expansion stage
 - C. Stabilization stage**
 - D. Decline stage
258. Which of the following is NOT true about Expansion stage?
- A. Marketplace is full of competitors**
 - B. Firm operations more stable, dependable
 - C. Financial policies firmly established
 - D. Dividends often become payable
259. Which of the following industry is NOT sensitive to business cycle and price changes?
- A. Growth industry
 - B. Cyclical industry**
 - C. Defensive industry
 - D. Interest sensitive industry
260. Which of the following is EXCLUDED from Porter's competitive factors?
- A. Bargaining power of buyers
 - B. Rivalry between existing competitors
 - C. Substitute products or services
 - D. Changes in the economy**
261. Which of the following is NOT one of the components of ROA?

- A. Net income margin
 - B. Turnover
 - C. Leverage**
 - D. Sales
262. All of the following are characteristics of Earnings per share EXCEPT?
- A. It is calculated by dividing Net income over number of shares outstanding
 - B. Earnings per share is a ratio, which is used for share price evaluation
 - C. Earnings per share relate income with ownership.
 - D. It is based on future forecasted data.**
263. On which of the following financial statements would you expect to find assets, liabilities, and stockholders' equity?
- A. Balance sheet**
 - B. Income statement
 - C. Statement of cash flows
 - D. Statement of changes in equity
264. Which of the following is an intangible asset with an identifiable useful life?
- A. Patent**
 - B. Timber
 - C. Goodwill
 - D. Trademark
265. On which of the following financial statements would you expect to find operating, investing, and financing activities?
- A. Balance sheet
 - B. Income statement
 - C. Statement of cash flows**
 - D. Statement of changes in equity
266. Mutual funds are _____ companies.
- A. Private
 - B. Investment**
 - C. Insurance
 - D. Banking
267. Money market mutual fund is:
- A. A closed-end investment company
 - B. A unit investment company
 - C. A directly investment in Treasury Bills**
 - D. An exchange traded fund
268. Brokerage fee charged by a stockbroker is an example of:
- A. Margin profit

- B. Insurance premium
 - C. Transaction cost**
 - D. Capital expenditure
269. Which of the following is defined as an investment strategy that involves ongoing buying and selling actions by the investors?
- A. Active strategy**
 - B. Passive strategy
 - C. Buy-and-hold strategy
 - D. All of the given options
270. A form of the EMH which states that security prices fully reflect all public and private information.
- A. Strong form efficiency**
 - B. Weak form efficiency
 - C. Semi strong form efficiency
 - D. None of the given options
271. The computation of the Dow Jones Industrial Average is known as a _____ index.
- A. Price-weighted**
 - B. Market value
 - C. Equal-weighted
 - D. Volume weighted
272. The duration of a bond:
- A. Is less than maturity for bonds paying coupon interest**
 - B. Is directly related to coupon yield
 - C. Decreases with maturity
 - D. Is greater than maturity for zero coupon bonds
273. Which of the following pay a specified cash flow over a specific period?
- A. Fixed income Securities**
 - B. Junk bonds
 - C. Zero coupon bonds
 - D. Convertible bonds
274. Which of the following is defined as the rate of return anticipated on a bond if it is held until the maturity date?
- A. Discount rate
 - B. Interest free rate
 - C. Return on equity
 - D. Yield to maturity**
275. Which of the following measures the sensitivity of an asset's price to interest rate movements, expressed as a number of years?

- A. **Duration**
 - B. Yield to maturity
 - C. Convexity
 - D. Immunization
276. Which of the following factor contributes to the price volatility of a bond?
- A. Maturity
 - B. Coupon
 - C. Yield to maturity
 - D. All of the given options**
277. The three broad categories of financial assets are _____.
- A. Money market securities, long-term debt and equity
 - B. Corporate securities, derivatives and equity
 - C. Debt, equity and derivatives**
 - D. All of the given options
278. Which of the following is excluded from the fixed income securities?
- A. Bonds
 - B. Preferred stock**
 - C. Saving deposits
 - D. Options
279. Financial securities with a maturity of less than a year from their original issue date are sold in the:
- A. Money market**
 - B. Bond market
 - C. Equity market
 - D. Derivative market
280. The price at which a security dealer sells a security is known as:
- A. Bid price
 - B. Offer price
 - C. Market price**
 - D. Order price
281. Lahore stock exchange is a:
- A. Primary market
 - B. Secondary market**
 - C. Third market
 - D. Fourth market
282. The trading of listed securities in the NASDAQ market is known as:
- A. Primary market
 - B. Secondary market
 - C. Third market**

- D. Fourth market
283. _____ is a professionally managed firm of collective investments that collect money from many investors and invests in securities.
- A. Share
 - B. Bond
 - C. Treasury bill
 - D. Mutual fund**
284. Which type of order is often used by investors who have bought a security and want to protect themselves from a falling price?
- A. Market order
 - B. Limit order
 - C. Stop order**
 - D. Good-till-canceled order
285. The percentage of the purchase price of securities that the investor must pay with his or her own cash or marginable securities is known as:
- A. Initial margin**
 - B. Margin call
 - C. Maintenance margin
 - D. SPAN margin
286. Which of the following represents low-priced, speculative and risky securities?
- A. Income stocks
 - B. Penny stocks**
 - C. Defensive stocks
 - D. cyclical stocks
287. The sensitivity of a coupon bond price to a change in its yield:
- A. Is directly related to the bond's yield to maturity
 - B. Is inversely related to the bond's yield to maturity**
 - C. Is greater for increases in yield to maturity than it is for decreases in yield to maturity
 - D. Is constant regardless of whether the yield to maturity increases or decreases
288. The rate of return anticipated on a bond if it is held until the maturity date is known as:
- A. Discount rate
 - B. Interest free rate
 - C. Return on equity
 - D. Yield to maturity**
289. The possibility that a bond issuer will be unable to make interest or principal payments when they are due is known as:
- A. Reinvestment risk

- B. Default risk**
C. Interest rate risk
D. Liquidity risk
290. Nominal interest rate is the function of real rate of interest and _____.
A. Expected inflation premium
B. Risk-free rate of return
C. Required risk premium
D. Compensation for the actual rate of inflation
291. Bond prices are expressed as a percentage of:
A. Discount value
B. Par value
C. Future value
D. Intrinsic value
292. Which of the following is TRUE regarding bond duration?
A. Duration is directly related to coupon yield
B. Duration decreases with maturity
C. Duration is greater than maturity for zero coupon bonds
D. Duration is shorter than maturity for all bonds except zero coupon bonds
293. Which of the following measures deviation of a bond's price-yield curve from a straight line?
A. Bond duration
B. Bond convexity
C. Bond valuation
D. All of the given options
294. Which of the following bonds have the lowest ratings?
A. Convertible bonds
B. Junk bonds
C. Municipal bonds
D. Government bonds
295. Bond horizon premium is the difference between:
A. Long- and short-term government securities
B. Stock and risk-free returns
C. Equity and short-term government securities
D. None of the given options
296. Which of the following measures the compound growth rate over time?
A. Geometric mean
B. Standard deviation
C. Arithmetic mean
D. Correlation coefficient

297. Which of the following is an asset pricing model commonly used in the finance industry to measure risk and return of a stock?
- Single Index Model**
 - Capital Asset Pricing Model
 - Binomial Options Pricing Model
 - Dividend Discount Model
298. Which of the following statement is TRUE regarding efficient frontier?
- It is an upward sloping curved line**
 - It is a downward sloping curved line
 - It is an upward sloping straight line
 - It is a downward sloping straight line
299. What is another name for optimal portfolio?
- Business portfolio
 - Market portfolio**
 - Mutual fund portfolio
 - Systematic portfolio
300. The concept that two identical assets cannot be sold at different prices is associated with which of the following theory?
- Prospect Theory
 - Modern Portfolio Theory
 - Dow Theory
 - Arbitrage Pricing Theory**
301. Which of the following is the only way to protect investors from nonsystematic risk?
- Sector rotation
 - Securitization
 - Diversification**
 - Risk aversion
302. Total risk of a security is calculated as:
- $TR = CF_t + (PE - PB) / PB$**
 - $TR = (1 + IF) + (PE - PB) / PB$
 - $TRIA = (1 + TR) - 1 / (1 + IF)$
 - $TR = CF_t / (PE - PB) + PB$
303. The most economic function of stock exchange is to:
- Safeguard the interest of investors
 - Help in the capital formation in the country
 - Provides facilities for speculation
 - Provide a ready market for old securities**

304. People with a high discount rate will require:
- A. **A higher interest rate to entice them to save**
 - B. Investment options with longer maturities
 - C. A lower interest rate to entice them to save
 - D. A constant ROI
305. The dividend-discount model indicates that the current market price of a stock rises if:
- A. **The interest rate rises**
 - B. The growth rate of dividends rises
 - C. The current dividend is higher
 - D. All of the above are correct
306. The efficient market hypothesis suggests that _____.
- A. **No investors can earn excess returns persistently over time**
 - B. No investors can earn positive returns persistently over time
 - C. No investors can earn excess returns at any point in time
 - D. No investors can earn positive returns at any point in time
307. _____ is a measure of the volatility of stock prices or returns.
- A. ROR
 - B. **Beta**
 - C. ROI
 - D. Risk premium
308. _____ is a basket of stocks that tracks a particular sector, investment style, geographical area, or the market as a whole.
- A. **Exchange traded fund**
 - B. Open-end fund
 - C. Closed-end fund
 - D. Unit investment trust
309. The total market value of securities in an investment company's portfolio divided by the number of investing company fund shares currently out standing is known as _____.
- A. Discounted value
 - B. Present value
 - C. Future cash flow value
 - D. **Net asset value**
310. Financial assets:
- A. Contribute to the country's productive capacity both directly and indirectly
 - B. Do not contribute to the country's productive capacity either directly or indirectly
 - C. Directly contribute to the country's productive capacity
 - D. **Indirectly contribute to the country's productive capacity**

311. The primary purpose of the liquidity ratios is to determine:
- A. How much working capital is tied up in inventory
 - B. The relative level of short-term debt
 - C. How well a firm is able to pay off short-term obligations**
 - D. All of the given options
312. The intrinsic value of a stock is the _____ of future net cash flows.
- A. Sum value
 - B. Present value**
 - C. Investment value
 - D. Future value
313. Which one of following statement is TRUE if intrinsic value of a security is higher than its current market price?
- A. The security is being undervalued**
 - B. The security is being overvalued
 - C. The security is correctly valued
 - D. None of given options
314. Which one of the following is correct formula for calculating gross margin?
- A. Net Profit/Net Sales
 - B. Gross Profit/Net Sales**
 - C. Net income/Net Sales
 - D. Gross Profit/credit Sales
315. Which of the following is defined as a procedure for valuing the price of a stock by using predicted dividends and discounting them back to present value?
- A. Dividend Discount Model**
 - B. Relative Strength Index
 - C. On Balance Volume
 - D. Bollinger bands
316. Which one of the following is correct formula for calculating operating margin?
- A. Net Profit/Net Sales
 - B. Operating income/Net Sales**
 - C. Net income/Net Sales
 - D. Operating income/credit sales
317. Which of the following ratios are of more concern for the shareholders?
- A. Liquidity and profitability
 - B. Profitability and leverage
 - C. Liquidity and leverage
 - D. Profitability and activity**
318. Which of the following ratios would not be used to draw a conclusion about a company's managerial effectiveness?

- A. Price-Earnings Ratio**
 - B. Net margin
 - C. Return on equity
 - D. Return on Investment

- 319. Which of the following industry is sensitive to business cycle and price changes?
 - A. Growth industry
 - B. Defensive industry
 - C. Cyclical industry**
 - D. Interest sensitive industry

- 320. Which of the following is defined as a stock whose price tends to move in the oppositedirection from that of interest rates?
 - A. Defensive stock
 - B. Interest sensitive stock**
 - C. Growth stock
 - D. Value stock

- 321. Which of the following is EXCLUDED from Porter’s competitive factors?
 - A. Changes in the economy**
 - B. Bargaining power of buyers
 - C. Rivalry between existing competitors
 - D. Substitute products or services

- 322. What does Return on Assets (ROA) show the analyst?
 - A. The accounting rate of return that stockholders earn on their portion of the total capital
 - B. The ability of the company to use its assets to produce profits**
 - C. The riskiness of the company
 - D. Book value per share

- 323. Balance sheet shows the:
 - A. Balances of all accounts
 - B. Net profit earned during a period
 - C. Financial position of business**
 - D. Expense of a business

- 324. Which of the following is an intangible asset with an identifiable useful life?
 - A. Timber
 - B. Patent**
 - C. Goodwill
 - D. Trademark

- 325. On which of the following financial statements would you expect to find revenuesand expenses?
 - A. Income statement**

- B. Balance sheet
 - C. Statement of cash flows
 - D. Statement of changes in equity
326. Cash flow statement comprises of which of the following activities?
- A. Operating activities only
 - B. Operating, investing, and financing activities**
 - C. Investing and operating activities
 - D. Operating and financing activities
327. When inflation and interest rates are high, P/E ratios tend to be.
- A. High
 - B. Low**
 - C. Minimum
 - D. Average
328. When PE multiples are high, future returns are:
- A. Low**
 - B. High
 - C. Minimum
 - D. Average
329. Which of the following is NOT true about expansion stage?
- A. Marketplace is full of competitors**
 - B. Firm operations more stable, dependable
 - C. Financial policies firmly established
 - D. Dividends often become payable
330. In bottom-up approach of fundamental analysis, investors begin their analysis with:
- A. Industry
 - B. Company**
 - C. Economy
 - D. Market
331. Which of the following stage offers the highest potential returns and greatest risk?
- A. Pioneering stage**
 - B. Expansion stage
 - C. Stabilization stage
 - D. Decline stage
332. Which of the following estimates are needed while applying fundamental analysis to the market?
- A. Stream of shareholder benefits
 - B. Earnings and dividends
 - C. Required return or earnings multiple

D. All of given options

333. A trend that defines the long-term direction for a security is called as:
A. Primary Trend
B. Secondary trend
C. Tertiary trend
D. All of the given options
334. A trend that defines the short-term direction for a security is called as:
A. Primary Trend
B. Secondary trend
C. Tertiary trend
D. All of the given options
335. Secondary trend in Dow theory is known as
A. Tide
B. Wave
C. Oscillation
D. None of the given options
336. Which of the following charting price pattern depicts a significant expectation of an increase in demand for a security
A. Support
B. Resistance
C. Trend line
D. All of given options
337. _____ believes that securities are priced according to fundamental economic data.
A. Fundamental analysts
B. Ratio analysts
C. Technical analysts
D. Research analysts
338. When a stock's market price breaks through its moving average line from below, a technical analyst would suggest a _____ signal.
A. Buy
B. Sell
C. Hold
D. Wait and see
339. Which of the following statement is TRUE about quick returns?
A. They are long lasting
B. They are usually short lived
C. Quick returns are long lasting
D. All of the given options are true

340. When the stock price drops below the support level, it indicates a _____ signal.
- A. **Bearish**
 - B. Bullish
 - C. Neither a bearish nor bullish
 - D. Leading
341. Which of the following is the reason stock prices behave the way they do at resistancelines?
- A. Many investors want to buy at this price
 - B. Market makers resist moving prices lower than this price
 - C. **Many investors want to sell at this price**
 - D. Market makers support prices at this level
342. Which of the following statement is not a characteristic of a line chart?
- A. It is simplest and most familiar chart
 - B. **It is efficient in showing more details**
 - C. It is an extension of a scatter graph
 - D. It is created by connecting a series of points.
343. Black body candle in a candlestick chart depicts that the prices are moving.
- A. Up
 - B. **Down**
 - C. Constant
 - D. Fluctuating
344. An upward trend in share prices in a bar chart is represented by _____ color.
- A. Black
 - B. Red
 - C. White
 - D. **Blue**
345. Which of the following is suitable for analyzing short term investments?
- A. Horizontal analysis
 - B. Fundamental analysis
 - C. Ratio analysis
 - D. **Technical Analysis**
346. Which of the following is correct formula for calculating Short interest ratio?
- A. Total shares sold short / Total daily trading volume\
 - B. Average shares sold short / Average daily trading volume
 - C. **Total shares sold short / Average daily trading volume**
 - D. None of given options
347. Financial assets are divided in to which of the following three broad categories?

- A. Money market securities, long-term debt and equity
 - B. Corporate securities, derivatives and equity
 - C. Debt, equity and derivatives**
 - D. All of the given options
348. Which of the following deals with the issuance of new securities?
- A. Primary market**
 - B. Secondary market
 - C. Third market
 - D. Fourth market
349. Which of the following are regarded as low-priced, speculative and risky securities?
- A. Income stocks
 - B. Penny stocks**
 - C. Defensive stocks
 - D. Cyclical stocks