

Solved By Muhammad Arslan Iqbal
Investment Analysis & Portfolio Management
Midterm Solved MCQs (PLHR 02)

1 - Which one of the following financial instruments represents an ownership share in a corporation?

Common stock

Bond

Preferred stock

Term Finance certificates

2 - There are ____ broad categories of financial assets.

2

3

4

5

The three broad categories of securities are equities, fixed income securities, and derivative asset. Page#3

Securities are broadly categorized into:

Debt securities (such as banknotes, bonds and debentures),

Equity securities e.g. common stocks

Derivative contracts such as forwards, Futures, options and swaps.

3 - Shares of McDonald Corporation are an example of a (n):

Standardized financial instrument

Non-standardized financial instrument since their prices can differ over time

Standardized financial liability instrument

Open-end investment

4 - _____ promotes investment education and ethical behavior among those involved in the investment business.

Licensed International Financial Analyst (LIFA)

Securities Investor Protection Corporation (SIPC)

Chartered Financial Analyst Institute (CFAI)

Securities and Exchange Commission (SEC)

5 - Which of the following function removes the fear of buying or selling at rip off price?

Fair pricing function

Continuous pricing function
Economic function
Exchange function

The fair price function removes the fear of buying or selling at rip off price. The greater number of participants and the more formal the marketplace, the greater is the likelihood that you are getting a fair price. Page#7

Rip off refers to an incident in which a person is overcharged for something, or receives goods or services not of the standard expected for the price.

6 - In which of the following type of chart time horizon is not considered?

Point and figure

Candlestick
Bar
All of the following

A chart that plots day-to-day price movements without taking into consideration the passage of time.

7 - Stocks of well-established companies that have stable earnings and no extensive liabilities are known as _____.

Growth stocks
Income stocks
Defensive stocks

Blue chip stocks

According to the New York Stock Exchange, a blue chip is stock in a corporation with a national reputation for quality, reliability, and the ability to operate profitably in good times and bad.

Stock of a large, well-established and financially sound company that has operated for many years

8 - Which of the following statement regarding short sales is NOT true?

Short sales are done with the expectation that prices will rise
Short sales can be executed only on an uptrend

Short sales are all done on margin

Short sales may be executed by both individuals and market makers

9 - Companies that have capitalization amounts between \$500 million and \$2billion are known as _____.

Small cap companies

Mid cap companies

Growth companies

Large cap companies

Another consideration in fundamental stock analysis relates to the size of the firm. Currently, firms are categorized as small-cap, mid-cap, or large-cap, cap being short for capitalization. Although no precise definition has been stated for these terms most analysts consider a firm with capitalization less than \$500 million to be a small cap stock' Lipper Analytical Services defines a mid-cap •firm as one with capitalization between \$800 million and \$2 billion. Others extend the mid-cap range up to \$6 billion. Page#52

10 - In a chart the prices moving below which of the following indicates that the market will collapse?

Peak

Head

Shoulders

Neckline

11 - In bar chart, which color indicates share prices are going up?

Black

White

Blue

Red

In bar chart, blue color indicates that market or share price is going up and this phenomenon is referred as bullish trend while red color in bar chart indicate that market or share price is going down and it is referred as bearish trend in the market.

12 - In candlestick chart, what does white body candle depict?

Prices are moving down

Prices are moving up

Prices are constant

Prices are fluctuating

White depicts: Prices are moving up

Red/Black depicts: Prices are moving down

13 - On Balance Volume technique of technical analysis was developed by:

Charles Dow

Joseph Granville

John Bollinger

Welles Wilder

A momentum indicator that uses volume flow to predict changes in stock price. On Balance Volume is a metric developed by Joseph Granville in the 1960s. He believed that, when volume increases sharply without a significant change in the stock's price, the price will eventually jump upward, and vice versa.

14 - Which of the following is relevant to market breadth?

Specialist inventory

Advance/declining ratio

Fundamental analysis

Ticker tape

A technique used in technical analysis that attempts to gauge the direction of the overall market by analyzing the number of companies advancing relative to the number declining.

15 - The Elliot Wave Theory is based on repeating _____ waves cycle.

4

5

7

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16 - Which of the following is correct formula for calculating short interest ratio?

Average shares sold short / Average daily trading volume

Total shares sold short / Average daily trading volume

None of the given options

Total shares sold short / Total daily trading volume

Short interest ratio = Total shares sold short / Average daily trading volume Page#72

17 - ABC Furnitures worth \$51 million. What is another term for this?

Book value

Earning per share

Market value

Cost per share

18 - Which of the following is TRUE regarding price per earning ratio?

P/E=Earnings available to common stockholders/outstanding shares

P/E=Market price per share/dividend per share

P/E=Market price per share/earning per share

P/E=Dividend per share/earning per share

P/E Ratio = Market Value per Share/ Earning per Share (EPS)

19 - When inflation and interest rates are low, Price per Earning (P/E) ratio tends to be:

High

Low

Minimum

Average

20 - Which of the following industry is sensitive to business cycle and price changes?

Growth industry

Cyclical industry

Defensive industry

Interest sensitive industry

Industry that is sensitive to economic cycles and moves in step with them, such as automobiles, housing, and steel industries which prosper in times of economic growth and stagnate in times of recession. Industries like drug manufacturing and healthcare are generally non-cyclical.

21 - Which of the following items will reduce stockholders' equity?

Purchase of equipment

Purchase of supplies

Receiving a loan

Payment of salaries

If salaries are paid, cash will reduce and it will increase interest expense which will reduce net profit of the business; which is at the end added in stockholder's equity. So stockholder's equity will decrease.

22 - Mutual funds pool the funds of savers and can be used to buy

Shares in mutual savings banks only

A variety of financial instruments

Shares in the Federal Reserve

System none of the given options

An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets.

23 - Which of the following is defined as an investment company whose capitalization constantly changes as new shares are sold and outstanding shares are redeemed?

Unit investment trust

Closed-end investment company

Exchange traded fund company

Open-end investment company

24 - 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?

Discounted value

Present value

Future cash flow value

Net asset value

In the context of mutual funds, Net asset value (NAV) is the mutual fund's price per share. It is calculated by dividing the total value of all the securities in portfolio less any liabilities, by the number of fund shares outstanding.

25 - Which of the following would be considered as the most bullish indicator?

A price decrease with heavy volume

A price increase with small volume

A price increase on heavy trading

No change in price but an increase in volume

26 - Stocks can be purchased for a combination of cash and borrowed funds in:

Margin account

Cash account

IRA account

Option account

27 - 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:

Moving Average

Standard deviation

Variance

Beta

A widely used indicator in technical analysis that helps smooth out price action by filtering out the “noise” from random price fluctuations.

28 - The use of the earnings multiplier model requires the use of forecast company earnings. How do investors obtain forecasts of company earnings?

Public companies are required to issue forecasts of quarterly earnings, going out three years

Securities analysts develop and publish earnings forecasts, based on their understanding of the company, its industry, and the overall economy

Securities analysts develop and publish earnings forecasts, based on sophisticated statistical techniques

Because these earnings will be announced in the future, no one can forecast them

29 - Which of the following is an intangible asset with an identifiable useful life?

Patent

Timber

Goodwill

Trademark

30 - Which of the following categories is NOT a financial statement element?

Cash flow

Contributed capital

Assets

Distributions

31 - _____ provides an automatic execution of limit orders up to 1,099 shares at the best bid or offer.

SuperDOT

NASDAQ

Auction market

NYSE direct

NYSE Direct+® currently provides optional automatic execution of limit orders up to 1,099 shares at the best bid or offer. The average execution time is 1 second.

32 - The trading of listed securities in the NASDAQ market is known as:

Primary market

Third market

Secondary market

Fourth market

The trading of listed securities in the NASDAQ market is known as the third market. The third market may offer greater trading flexibility than the exchanges, particularly with regard to trading rules and fees. Page#12

33 - A self-regulatory body that licenses brokers and generally oversees the trading practices of Over the counter (OTC) securities is known as _____ .

Securities and Exchange Commission (SEC)

National Association of Security Dealers (NASD)

Initial Public Offering (IPO)

Offered for Sale (OFS)

The National Association of Securities Dealers (NASD) is a self-regulatory body that licenses brokers and generally oversees trading practices. Page#14

34 - Companies that have historically paid a larger than average percentage of their profit as dividend to their shareholders is known as:

Blue chip companies

Cyclical companies

Growth companies

Income companies

Income stocks are those that have historically paid a larger than average percentage of their NIAT as dividend to their shareholders. Page#25

35 - _____ is a measure of the extent to which a movement in the market index is reflected in the price movements of all stocks in the market.

put-call ratio

Breadth

confidence index

all of the above

36 - The direct trade between large institutional investors takes place in which of the following market?

Primary market

Secondary market

Third market

Fourth market

Direct trades between large institutional investors comprise the fourth market. Fourth market trading is usually motivated by reduced trading fees. Page#12

37 - A good time is characterized by which of following situation?

Market prices moving above the moving average

Market prices moving below the moving average

Market prices exactly same as moving average

None of the given options

38 - Which of the following statement is FALSE about Elliot Wave Theory?

It made extensive use of Fibonacci series

It is based on repeating 8 waves' cycles

It identified three movements in security prices

It was proposed by R.N. Elliot

39 - Which of the following depicts ratio of share price to stockholder equity?

Debt coverage ratio

Price-to-sales ratio

Price-to-market value ratio

Price-to-book value ratio

40 - On which of the following financial statements, revenues and expenses can be found?

Balance sheet

Income statement

Statement of cash flows

Statement of changes in equity

(the result after all revenues and expenses have been accounted for, also known as the "bottom line" Page#115

41 - Which of the following is a basket of stocks that tracks a particular sector, investment style, geographical area, or the market as a whole?

Exchange traded fund

Open-end fund

Closed-end fund

Unit investment trust

An ETF is a basket of stocks that tracks a particular sector, investment style, geographical area, or the market as a whole. Page#135

42 - Which of the following is defined as an investment strategy that involves ongoing buying and selling actions by the investors?

Make or Buy strategy

Active strategy

Passive strategy

Buy-and-Hold strategy

Active Investing: An investment strategy involving ongoing buying and selling actions by the investor. Active investors purchase investments and continuously monitor their activity in order to exploit profitable conditions.

43 - Which of the following is an example of brokerage fee charged by a stockbroker?

Margin profit

Insurance premium

Transaction cost

Capital expenditure

44 - _____ means offering those shares that are already issued.

IES

OPS

OFS

IPO

45 - Financial securities with a maturity of less than a year from their original issue date are sold in which of following market?

Money market

Bond market

Equity market

Derivative market

46 - _____ enables market participants to get accurate and up-to-date price information.

Fair pricing function

Continuous pricing function

Economic function

Exchange function

The continuous price function enables market participants to get accurate, up-to-date price information. Page#6

47 - Which of the following is suitable for analyzing short term investments?

Horizontal analysis
Fundamental analysis
Technical analysis
Ratio analysis

48 - An investor will purchase shares of companies in the development stage for:

Current income
Current income and capital gains
Passive losses to offset other income
Capital gains only

49 - Which of the following industry is NOT sensitive to business cycle and price changes?

Defensive industry
Interest sensitive industry
Growth industry
Cyclical industry

50 - Which of the following statement about a security is true, if it's beta > 1.0?

Security is more risky than the market
Security is less risky than market
Security is exactly as risky as market
It is not possible to predict riskiness of a security by beta

Beta equals to 1 refers that stock is as risky as the market is, means stock has exactly the same risk as the market has. Moreover, if beta of stock is less than 1, it means stock is lesser risky than the market and beta more than 1 refers that stock is more risky than the market

51 - A bad time in market will persist when the market prices move:

Above the moving average
Below the moving average
Exactly same as moving average
Firstly up then down the moving average

52 - What does price earning ratio indicate?

It indicates how many interest payments could be made with a firm's earnings.
It indicates how much investors pay for Rs.1 earning of the company.
It indicates the percentage of earnings paid to shareholders.
It indicates the per share profit available for distribution to the shareholders.

The P/E ratio is a vital ratio for investors. Basically, it gives us an indication of the confidence that investors have in the future prosperity of the business. A P/E ratio of 1 shows very little confidence in that business whereas a P/E ratio of 20 expresses a great deal of optimism about the future of a business. Page#86

53 - Which of the following stock's price move in opposite direction to that of interest rates?

Growth stock

Value stock

Interest sensitive stock

Defensive stock

54 - Which of the following is NOT a component of ROA?

Turnover

Leverage

Sales

Net income margin

ROA is an important measure of the firm's profitability. It is a product of two factors,

$ROA = \text{Net income margin} \times \text{Turnover}$

$\text{Net income margin} = \text{Net income} / \text{Sales}$

$\text{Turnover} = \text{Sales} / \text{Total Assets}$ Page#107

55 - Which of the following statement about the types of the orders is LEAST accurate?

Market orders are orders to buy or sell at the best price available.

Limit orders are orders to buy or sell at or away from the market price.

A stop buy order is used to protect a short position in a security and is placed below the current market price.

Limit order must specify a price and a time limit.

56 - Which of the following statements regarding life cycle of an industry is MOST accurate?

In the pioneering phase, profits are small or negative.

In the mature growth phase, sales growth falls below normal for the first time.

During the stabilization phase, growth rates are still above the growth rates in economy.

The growth of the substitute products increases total market share & causes profits to increase in the deceleration phase.

Pioneering Phase: This phase is characterized by low demand for the industry's product and large upstart costs. Industries in this phase are typically start-up firms, with large upfront costs and few sales.

57 - Which of the following is NOT a fixed income security?

Bonds
Preferred stock
Saving deposits
Options

58 - _____ are qualified and regulated professionals who trade shares and other securities through market makers on behalf of investors.

Stock brokers
Members
Specialists
Day traders

59 - A trend that defines the intermediate-term direction for a security is called as:

Primary Trend
Secondary trend
Tertiary trend
All of the given options

A primary trend is the largest trend lasting for more than a year, while a secondary trend is an intermediate trend that lasts three weeks to three months and is often associated with a movement against the primary trend.

60 - _____ is a temporary restriction on program trading in a particular security or market, usually to reduce dramatic price movements.

SuperDot
NYSE direct
Trading curb
Ticker tape

A temporary restriction on program trading in a particular security or market, usually to reduce dramatic price movements. Also known as a collar or circuit breaker.

61 - A procedure for valuing the price of a stock by using predicted dividends and discounting them back to present value is known as.

Dividend Discount Model
The Residual Earning Model
None of the given options
Capital Asset Pricing Model

The **dividend discount model** (DDM) is a method of valuing a company's stock price based on the theory that its stock is worth the sum of all of its future dividend payments, discounted back to their present value.

62 - Which of the following are regarded as low-priced, speculative and risky securities?

Income stocks

Penny stocks

Defensive stocks

Cyclical stocks

Penny stocks: A stock that trades at a relatively low price and market capitalization, usually outside of the major market exchanges. These types of stocks are generally considered to be highly speculative and high risk because of their lack of liquidity, large bid-ask spreads, small capitalization and limited following and disclosure

63 - Which of the following is a popular price pattern?

Double ups

Head and shoulders

Triangles

Resistance and support

64 - Primary trend in Dow Theory is known as _____.

Wave

Triangle

Tide

Rounded bottom

The Dow Theory is often illustrated by an ocean analogy. The tide is either coming in or going out – the primary trend. Page#67

65 - The primary purpose of the liquidity ratios is to determine:

The amount of earnings paid to shareholders

The amount of working capital tied up in inventory

The ability of a firm to pay off short-term obligations

The relative level of short-term debt

The ratio is mainly used to give an idea of the company's ability to pay back its short-term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables) Page#82

66 - Which of the following statement is TRUE regarding earning per share?

It represents the company's current obligation

It represents the ability of a company to repay its current liabilities

It represents per share profit available for distribution to the shareholders

It represents the percentage of earnings paid to shareholders

Earnings per Share = Profit Available to Shareholders / Average common shares Outstanding

Page#84

67 - Which of the following industries is LEAST sensitive to changes in the business cycle?

Manufactures of business plant and equipment

Machine tools and special equipment, such as for pollution control

Industries specializing in high technology

A refrigerators manufacturing company

68 - Which of the following industry tend to be composed of relatively volatile and risky stocks?

Defensive industries

Interest sensitive industries

Growth industries

Cyclical industries

Growth industries tend to be composed of relatively volatile and risky stocks. Often investors must be willing to accept increased risk in order to take part in the potentially large gains offered by stocks within a particular growth industry.

69 - Which of the following is defined as an unmanaged, fixed-income security portfolio put together by a sponsor and handled by an independent trustee?

Unit investment trust

Closed-end investment

Open-end investment

Money market fund

Unit Investment Trusts: An alternative form of Investment Company that deviates from the normal managed type is the unit -investment trust, (UIT), which typically is an unmanaged, fixed-income security portfolio put together by a sponsor and handled by an independent trustee. Page#131

70 - _____ are financial intermediaries that hold a portfolio of securities on behalf of their shareholders.

Banking companies

Growth companies

Value companies

Investment companies

An investment company is a company whose main business is holding securities of other companies purely for investment purposes. The investment company invests money on behalf of its shareholders who in turn share in the profits and losses.

71 - Which of the following statement about a security is true, if its beta < 1.0?

Security is more risky than the market

Security is less risky than market

Security is exactly as risky as market

It is not possible to predict riskiness of a security by beta

72 - Which of the following is NOT an asset?

Accounts payable

Equipment

Supplies

Cash

73 - Which of the following is EXCLUDED from the reasons of investing?

To obtain capital gain

To supplement their money

To experience an excitement

To gather market information

THREE REASONS FOR INVESTING: People choose to invest to supplement their income, to earn gains, and to experience the excitement of the investment process.

Page#3

74 - Which of the following is NOT a requirement for an efficient market?

Stock prices incorporate all information

All known information be reflected in prices

The adjustments occur very quickly

Each adjustment be perfect

75 - 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?

Limit order

Market order

Stop order

Good till cancelled order

76 - In a candlestick chart, what does black body candle depict?

Prices are moving up

Prices are moving down

Prices are constant

Prices are fluctuating

The principle difference between a daily candlestick chart and a bar chart is the white and black candles augmenting the daily trading range lines. White candles represent stock advances, with black candle representing declines. Page#57

77 - Which of the following is TRUE regarding the Dow Theory?

Dow Theory is primarily a fundamental analysis tool.

Dow Theory was developed by the publisher of Forbes magazine.

Dow Theory identified three movements in security prices.

Dow Theory states that computer algorithms can be used to look for patterns.

The Dow Theory holds that there are three components in the movement of stock prices. Page#67

Dow theory identifies three trends within the market: primary, secondary and minor. A primary trend is the largest trend lasting for more than a year, while a secondary trend is an intermediate trend that lasts three weeks to three months and is often associated with a movement against the primary trend. Finally, the minor trend often lasts less than three weeks and is associated with the movements in the intermediate trend.

78 - Which of the following situations implies an upward sloping curve?

Accelerating economic activity

Static economic activity

Slowing economic activity

A recession period

79 - Which of the following statement about short selling is LEAST accurate?

The short seller must pay the lender of the stock any dividends paid by the company.

The short seller is required to replace the borrowed securities within six months of a short sale.

Proceeds from the short sale cannot be withdrawn from the account.

The short seller hoped that the securities prices would decrease in the future.

80 - A stop buy order is MOST likely:

Used to limit the potential losses on a short sale

Executed if the market price is less than or equal to the specified level

An order to purchase a security if the price decreases to a specified level

An order that specifies only the time limit

An order to buy or sell a security when its price surpasses a particular point, thus ensuring a greater probability of achieving a predetermined entry or exit price, limiting the investor's loss or locking in his or her profit. Once the price surpasses the predefined entry/exit point, the stop order becomes a market order.

81 - Which of the following is the formula of expected future growth rate?

$g = \text{IRR} / (1 - \text{Liquidity ratio})$

$g = \text{ROE} * (1 - \text{Payout ratio})$

$g = \text{NPV} * (1 - \text{Debt ratio})$

$g = \text{ROI} / (1 - \text{Leverage ratio})$

82 - Which of the following invest in undervalued stocks as determined by fundamental financial analysis?

Growth funds

Value funds

Mutual funds

Hedge funds

A stock mutual fund that primarily holds stocks that are deemed to be undervalued in price and that are likely to pay dividends. Value funds are one of three main mutual fund types; the other two are growth and blend (a mix of value and growth stocks) funds.

83 - In which of the following accounts do investors place funds to be borrowed by finances?

Instant access savings accounts

Continuous funding system account

Personal finance access accounts

International savings accounts

84 - Which of the following ratios indicate the ability of a company to repay its current liabilities from its operating cash flow?

Price to sales ratio

Price to book value ratio

Leverage ratio

Debt coverage ratio

85 - Which of the following ratios would not be used to draw a conclusion about a company's managerial effectiveness?

Net margin

Price-Earnings Ratio

Return on equity

Return on Investment

86 - Companies' dividends are paid usually _____.

Yearly

Quarterly

Biannually

Monthly

87 - Investors prefer mutual funds because of:

Diversification

Liquidity

Secured returns

All of the given options

88 - Short term investment analysis requires _____ days moving averages.

200

100

50

10

[A ten-day moving average measures the average over the previous ten days. Page#62](#)

89 - 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:

Current ratio

Quick ratio

Inventory turnover ratio

Debt coverage ratio

[Acid Test Ratio/Quick ratio = \(Current Assets - Inventory\) / Current Liabilities](#)

90 - What does the abbreviation RSI stands for?

Repetitive String Instruments

Relative Strength Index

Rapid Succession Intrigues

Review of Symbolic Inquests

The relative strength index (RSI) is a technical indicator used in the analysis of financial markets.

91 - What does EMH stands for?

Eastern Marine Heritage

European Market Healthcare

Effective Market Hypothesis

European Mayor House

Efficient market hypothesis (EMH) Page#138

92 - Commercial papers are example of _____.

Equity market funds

Money market fund

Mutual funds

None of the given options

Commercial paper is a money-market security issued (sold) by large corporations to obtain funds to meet short-term debt obligations

93 - In a bar chart what does the blue line represents?

Stock prices are getting low

Stock prices are getting high

Stock prices are closing

Stock prices are opening

94 - Identify the correct formula for calculating the tax burden.

EBIT/Income tax expense

Sales/Income taxes payable

Pre-tax Income/EBIT

Net Income/Pre-tax Income

95 - Companies that have capitalization amounts of more than \$2 billion are known as _____.

Small cap companies

Mid cap companies

Growth companies

Large cap companies

Although no precise definition has been stated for these terms most analysts consider a firm with capitalization less than \$500 million to be a small cap stock' Lipper Analytical Services defines a mid-cap •firm as one with capitalization between \$800 million and \$2 billion. Others extend the mid-cap range up to \$6 billion. Page#52

96 - An upward trend in share prices in a bar chart is represented by _____ color.

White

Black

Red

Blue

97 - Which of the following best describes the concept of Time value of money?

What you have in hand today is more worth than in past

What you have in hand today is less worth than in future

What you have in hand today is more worth than in future

What you will have in future is more worth than in present

98 - Derivatives are assets that include all of the following, EXCEPT:

Future

Option

Forward

Pay order

99 - A place where trading of listed securities in the NASDAQ market is performed is known as:

Primary market

Secondary market

Third market

Fourth market

The trading of listed securities in the NASDAQ market is known as the third market. The third market may offer greater trading flexibility than the exchanges, particularly with regard to trading rules and fees. Page#12

100 - The Standard Industrial Classification codes have how many divisions?

9

11

13

15

SIC codes have 11 divisions, and within each of these divisions are several major industry groups designated by a two-digit code. Page#97

101 - All of the following are characteristics of stop orders EXCEPT:

Protecting profits

Minimizing losses

Rapid execution

It is seldom used by investors

102 - Black body candle in a candlestick chart depicts that the prices are moving.

Up

Constant

Down

Fluctuating

103 - Return on equity depends on the product of all of the following, EXCEPT:

Total asset turnover

Market value per share

Profit margin on sales

Financial leverage

104 - Which of the following compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset?

Moving Average Convergence/Divergence

Relative Strength Index

On Balance Volume

Bollinger Bands

A technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset. It is calculated using the following formula:

$$RSI = 100 - 100 / (1 + RS^*)$$

*Where RS = Average of x days' up closes / Average of x days' down closes.

105 - Which of the following depicts a bullish trend in stock market?

Stock price drop below support level

Stock price rises above support level

Stock price drop below resistant level

None of given options

106 - Which of the following statement is not a characteristic of a line chart?

It is simplest and most familiar chart
It is efficient in showing more details

It is an extension of a scatter graph

It is created by connecting a series of points.

The line chart is the simplest and most familiar. It consists of a line connecting a series of data points. It may be drawn on either a linear or a logarithmic scale. Page#55

107 - Fundamental analysis includes the evaluation of which of the following?

Quantitative and empirical data

Qualitative and colonial data

Qualitative and imperial data

Quantitative and imperial data

108 - Which of the following is known as "Type 1" account?

CFA account

Cash account

Real account

Margin account

109 - Which of the following statements record performance over a period of time?

Cash flow and statement of owner's equity

Cash flow and income statements

Balance sheet and income statement

Cash flow statement and balance sheet

110 - Which of the following moves inversely to each other?

Interest rates and debt to equity ratios

Discount rates and P/E ratios

Coupon rates and leverage ratios

Interest rates and activity ratios

111 - An account that permits an investor to borrow part of the cost of investment firm a brokerage firm.

Dealer account

Option account

Margin account

Cash account

112 - Which of the following usually resembles a reverse version of a symmetrical triangle?

Relative Strength Index
On Balance Volume
Broadening Formation
Bollinger Bands

113 - Which of the following ratios measures how a company finances their assets?

Price to sales ratio
Price to book value ratio
Leverage ratio
Debt coverage ratio

114 - A closed-end fund versus an open-end fund refers to:

Whether there is a substantial penalty for early withdrawal
The maturity date of the shares in the market
How the shares are distributed and redeemed
The limitation of upside potential and downside risk

115 - In which of the following conditions the price earning ratios will be low?

When conversion and exchange rates are low
When revenue and expense rates are moderate
When inflation and interest rates are high
When insurance and tax rates are equivalent

116 - All of the following are the investment alternatives, EXCEPT:

Derivative assets
Collateral securities
Fixed income securities
Equity securities

117 - Which of the following is necessary in order to reduce the huge number of possible investments to a smaller number that can investigate carefully?

Securing
Screening
Saving
Discounting

118 - If there is increasing volume of trade in the stock market it will show:

High level of investors' interest

Low level of investors' interest

Constant level of investors' interest

No interest of investors

119 - Which of the following usually resembles a reverse version of a symmetrical triangle?

Relative Strength Index

On Balance Volume

Broadening Formation

Bollinger Bands

120 - According to Dow Theory, secondary trend is a:

Long term trend

Short term trend

Medium term trend

None of given options

The secondary trend refers to a temporary reversal in the primary trend, one that does not persist long enough to become the primary trend. Page#67

121 - Which of the following statement is TRUE about value investors?

They are patient

They seek rapidly growing companies

They are speculators

They seek slow growing companies

122 - The idea of long term business cycle with a period of 50-60 years was proposed in which of the following theory?

Kondratev Wave Theory

Dow Theory

Elliot Wave Theory

None of the given options

Kondratev wave theory states there is a 50- to 60-year business cycle. Page#69

123 - Which of the following is a characteristic of line chart?

It is efficient in showing more details

It is simplest and most familiar chart

It show the highest degree of accuracy

It can be used for comparing three values

The line chart is the simplest and most familiar. Page#55

124 - Which of the following is calculated by dividing gross profit by net sales?

Gross margin

Operating margin

Net margin

Profit margin

Gross Profit Margin = Gross Profit / Net Sales * 100 Page#83

125 - When a company's market value is divided by sales, it is known as:

Net income margin

Price-to-market value ratio

Price-to-book value ratio

Price-to-sales ratio

126 - For which of the following value of beta, a stock is assumed to be as risky as market?

1.5

1.0

2.0

0.5

127 - An over-the-counter market can be defined as:

A network of dealers connected electronically

An illegal secondary market for stocks used primarily by those attempting to evade taxes

A primary market for stocks

A form of centralized exchange

128 - Leverage ratios are designed to:

Measure a company's capital structure

Measure the quality of a company's operations

Measure a company's ability to cover its short-term obligations

Measure the percentage of earnings paid to shareholders

129 - An efficient market reflects which of the following information?

Past, current and inferred information

Future and past information

Past and current information

Current and inferred information

130 - In which of the following charts days do not matter?

Line and pie charts

Bar and pie charts

Bar and line charts

Point and figure charts

Remember me in your prayers. I wish you all the best