1. Under _________ the cost of the asset is written off equally over its life.

[2 Marks]

(a) the moving average method

(b) the straight average method

(c) **the straight line method**

(d) the moving line method

(e) Not Attempted

Correct Answer : the straight line method

2. The simplest model for valuing equity is the ________.

[1 Marks]

(a) dividend earning model

(b) interest dividend model

(c) **dividend discount model**

(d) interest discount model

(e) Not Attempted

Correct Answer : dividend discount model

3. For a company to make a profit the sourced funds have to cost _____ than the return the company earns on their deployment.

[1 Marks]

(a) **less**

(b) more

(c) Not Attempted

Correct Answer : less

4. The outcome of fundamental analysis is a value (or a range of values) of the stock of the company called its _____

[1 Marks]

(a) extrinsic offer price

(b) extrinsic value

(c) intrinsic offer price

(d) **intrinsic value**

(e) Not Attempted

Correct Answer : intrinsic value

5. Stock market returns are a leading indicator, as the stock market usually begins to decline before the economy declines and they improve before the economy begins to pull out of a recession.

[2 Marks]

(a) **TRUE**

(b) FALSE

(c) Not Attempted

Correct Answer : TRUE

6. In the strictest sense, the only cash flow you receive from a firm when you buy publicly traded stock is the ________.

[1 Marks]

(a) rights

(b) interest

(c) **dividend**

(d) bonus

(e) Not Attempted

Correct Answer : dividend

7. The _______ explains the performance and the financial results of the company in the period under review.

[2 Marks]

(a) Tax reports

(b) Internal reports

(c) Commercial reports

(d) **Director's Report**

(e) Not Attempted

Correct Answer : Director's Report

8. Consider a stock, with an expected dividend per share next period of Rs. 4, a cost of equity of 15%, and an expected growth rate of 5% forever. The value of this stock is:

[2 Marks]

(a) **40**

(b) 50

(c) 55

(d) 45

(e) Not Attempted

Correct Answer : 40

9. Stock A generates a return of 15% while stock B generates a return of 12%. The risk free-rate is 5%. Stock A has a standard deviation (risk) of 10%, while stock B has a standard deviation of 5%. Which stock gives a better risk adjusted return?

[2 Marks]

(a) **B**

(b) A

(c) Not Attempted

Correct Answer : B

10. As of March 31, with amounts expressed in Rs. crores, ABC Ltd. had a provision for income taxes in its income statement of 4,535 and pre-tax income of 18,820. The effective tax rate of ABC Ltd. is _______.

[3 Marks]

(a) 34.23

(b) 18.75

(c) 43.55

(d) **24.1**

(e) Not Attempted

Correct Answer : 24.1

11. ____ measures non-diversifiable risk.

[1 Marks]

(a) Vega

(b) Beta

(c) Sigma

(d) **Co-variance**

(e) Not Attempted

Correct Answer : Beta

12. Stock A generates a return of 12% while stock B generates a return of 15%. The risk free-rate is 5%. Stock A has a standard deviation (risk) of 10%, while stock B has a standard deviation of 10%. Which stock gives a better risk adjusted return?

[2 Marks]

(a) **B**

(b) A

(c) Not Attempted

Correct Answer : B

13. Rs. 100 paid now or Rs. 105 paid exactly one year from now both have the same value to the recipient who assumes 5% as the rate of interest.

[1 Marks]

(a) **TRUE**

(b) FALSE

(c) Not Attempted

Correct Answer : TRUE

14. The ______ discusses plans for new acquisition and investments.

[2 Marks]

(a) Tax reports

(b) **Director's Report**

(c) Commercial reports

(d) Internal reports

(e) Not Attempted

Correct Answer : Director's Report

15. The¿¿________ form of the Efficient Market Hypothesis¿¿stipulates that, all information, whether public or private, is fully reflected in a security's current market price.

[1 Marks]

(a) **strong**

(b) weak

(c) semi-strong

(d) Not Attempted

Correct Answer : strong

16. ______ is a relative measure of risk: the risk of an individual stock relative to the market portfolio of all stocks.

[1 Marks]

(a) **Beta**

(b) Co-variance

(c) Sigma

(d) Vega

(e) Not Attempted

Correct Answer : Beta

17. It is upon the quality, competence and vision of the management that the future of company rests.

[1 Marks]

(a) **TRUE**

(b) FALSE

(c) Not Attempted

Correct Answer : TRUE

18. Borrowings or credits for working capital which fluctuate such as bank overdrafts and trade creditors are not normally classified as loan funds but as ________.

[2 Marks]

(a) **current liabilities**

(b) current assets

(c) Not Attempted

Correct Answer : current liabilities

19. The _____ indicators predict what is likely to happen to an economy.

[1 Marks]

(a) lagging

(b) **leading**

(c) ○ Not Attempted

Correct Answer : leading

20. The very-strong form of the Efficient Market Hypothesis stipulates that private information or insider information too, is quickly incorporated by market prices and therefore cannot be used to reap abnormal trading profits.

[2 Marks]

(a) ○ TRUE

(b) ◉ **FALSE**

(c) ○ Not Attempted

Correct Answer : FALSE