

Solved by Shifa

Question # 1 of 15 (Start time: 10:50:41 PM) Total Marks: 1

The slope of the yield curve seems to predict the performance of the economy with:

Select correct option:

Usually 3 months lag

Usually two years lag

Usually within few weeks

Usually one year lag

The lowest rating for an investment grade bond assigned by Moody's is:

Select correct option:

BBB

ABB

Baa

Aaa

of 15 (Start time: 10:52:06 PM) Total Marks: 1

Which is broadly used as money aggregate?

Select correct option:

M1

M2

M3

None of Above

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Question # 4 of 15 (Start time: 10:52:56 PM) Total Marks: 1

Which one of the following is the strategy of reducing overall risk by making two investments which are totally independent of each other?

Select correct option:

- Spreading the risk
- Standard deviation
- Hedging the risk
- Variance

Question # 5 of 15 (Start time: 10:53:59 PM) Total Marks: 1

Previously financial markets are located in which of the following?

Select correct option:

- Coffee houses or Taverns
- Stock exchanges
- Bazaar
- Coffee houses and Stock exchanges

Question # 7 of 15 (Start time: 10:56:45 PM) Total Marks: 1

Which of the following is the measure of likelihood that an event will occur?

Select correct option:

- Risk
- Probability
- Frequency
- Outcom

Question # 6 of 15 (Start time: 10:55:27 PM) Total Marks: 1

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Considering the Liquidity Premium Theory, if investors expect short term interest rates to decrease:

Select correct option:

The yield curve must have a positive slope

The yield curve must be inverted

The yield curve could be flat

The slope of the yield curve sh

The slope of the yield curve should actually increase
?

Question # 8 of 15 (Start time: 10:57:22 PM) Total Marks: 1

The relationship between the price and the interest rate for a zero coupon bond is best described as:

Select correct option:

Volatile

Stable

Non-existent

Inverse

(Start time: 10:58:26 PM) Total Marks: 1

_____ is the interest rate at which the present value annual revenue equals the cost of the investment.

Select correct option:

Fixed rate of interest

Internal rate of return

Variable rate of interest

Nominal rate of interest

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10 of 15 (Start time: 10:59:03 PM) Total Marks: 1

What is true about the relationship between standard deviation and risk?

Select correct option:

Greater the standard deviation greater will be the risk

Greater the standard deviation lower will be the risk

Greater the standard deviation risk remains the same

No relation betw

No relation between them

Question # 11 of 15 (Start time: 11:00:02 PM) Total Marks: 1

If the annual interest rate is 6%, the price of a 1-year Treasury bill with \$100 face value would be:

Select correct option:

\$94.00

~~\$94.33~~

\$95.25

\$96.10

Question # 12 of 15 (Start time: 11:00:53 PM) Total Marks: 1

Other things remaining equal, the liquidity premium theory is based upon the idea that _____.

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Select correct option:

Investors prefer long-term bonds

Investors prefer short-term bonds

Investors are indifferent between short-term and long-term bonds

Investors prefer interme

Investors prefer intermediate-term bonds

The liquidity premium theory suggests that yield curves should usually be:

Select correct option:

Up-sloping

Inverted

Flat

Up-sloping through year 1, then flat thereafter

Question # 14 of 15 (Start time: 11:03:06 PM) Total Marks: 1

In the long run, the yield curve tends to be which of the following?

Select correct option:

Upward sloping

Downward sloping

Nearly vertical

Nearly horizonta

Question # 15 of 15 (Start time: 11:03:46 PM) Total Marks: 1

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An increase in the expected inflation shifts the bond supply to the _____.

Select correct option:

Right

Left

No change

All of the given options

Question # 1 of 15 (Start time: 11:13:38 PM) Total Marks: 1

Which of the following is the least liquid of all?

Select correct option:

Money

Bonds & stocks

Lands & buildings

None of the given options

Question # 2 of 15 (Start time: 11:14:26 PM) Total Marks: 1

Investors will hold higher compensation for the _____ investment.

Select correct option:

More risky

Less risky

Fixed return

Less dividend

Question # 3 of 15 (Start time: 11:15:33 PM) Total Marks: 1

At which money aggregate definitions relation is stronger with inflation and growth

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Select correct option:

M1

M2

M3

None of above

Question # 5 of 15 (Start time: 11:16:48 PM) Total Marks: 1

The risk premium for an investment:

Select correct option:

Increases with risk

Is a fixed amount added to the risk free return

Is negative for U.S. Treasury Securities

Is negative for risk averse investors

Question # 6 of 15 (Start time: 11:18:00 PM) Total Marks: 1

Which of the following is NOT an example of financial institutions?

Select correct option:

Banks

Securities firms

Stock exchanges

Insurance companies

Question # 7 of 15 (Start time: 11:18:36 PM) Total Marks: 1

The reason for the government to get involved in the financial

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system is to:

Select correct option:

Protect investors

Ensure the stability of the financial system

Protect bank customers from monopolistic exploitation

All of the given options

Question # 8 of 15 (Start time: 11:19:09 PM) Total Marks: 1

A brilliant example of risk require compensation

Select correct option:

Taking a safe debt

Insurance policy

A person work in office

None of above

Question # 9 of 15 (Start time: 11:19:42 PM) Total Marks: 1

What is difference between warrant and check?

Select correct option:

Check is cleared from bank but warrant is not cleared by bank

Check is not necessarily pay able on demand but warrant is payable on demand

Warrant is not necessarily pay able on demand but check is payable on demand

None of above

Question # 10 of 15 (Start time: 11:21:02 PM) Total Marks: 1

Which of the following NOT true for financial institutions?

Select correct option:

It reduces the transaction cost

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It reduce the information cost

It reduces the asymmetric information

It doesn't make long term loans

Question # 11 of 15 (Start time: 11:22:40 PM) Total Marks: 1

When the auto manufacturing industry does poorly due to a recession this is an example of:

Select correct option:

Idiosyncratic risk

Systematic risk

Risk premium

Unique risk

Total Marks: 1

A loan that is used to purchase the real estate is known as:

Select correct option:

Real estate loan

Home mortgages

Fixed payment loan

Home loan

Question # 13 of 15 (Start time: 11:25:29 PM

) Total Marks: 1

Which characteristic are common both in money and securities

Select correct option:

Transfer of risk, store of value

Unit of account, mean of payment

Mean of payment, transfer of risk

Store of value, mean of payment

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Question # 14 of 15 (Start time: 11:26:30 PM) Total Marks: 1

Which of the following statement is true about the relation ship between bond ,coupon payment and interest?

Select correct option:

Coupon payments fall, the interest rate falls, and Bond price will rise

Coupon payments rises, the interest rate falls, and Bond price will rise

Coupon payments fall, the interest rate falls, and Bond price will fall

Coupon payments rise, the interest rate falls, and Bond price will fall

Question # 15 of 15 (Start time: 11:27:24 PM) Total Marks: 1

Which one of the following is NOT true for the expectation hypothesis?

Select correct option:

Risk free interest rate can be computed

There is uncertainty in the future

Identifying yield of bond today that will be available next year

It focuses on risk free interest rate and the risk premium

Question # 1 of 15 (Start time: 11:29:37 PM) Total Marks: 1

Which of the following best represent the true relationships between interest rates and bond prices?

Select correct option:

Move in the same direction

Move in opposite direction

Sometimes move in the same direction, some times in opposite

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direction

Have no relationship with each other (i.e. they are independent)

Question # 2 of 15 (Start time: 11:30:41 PM) Total Marks: 1

The concept of limited liability says a stockholder of a corporation:

Select correct option:

Is liable for the corporation's liabilities, but nothing more

Cannot receive dividends that exceed their investment

Cannot own more than five percent of any public corporation

Cannot lose more than their investment

Question # 3 of 15 (Start time: 11:32:03 PM) Total Marks: 1

Yield curves show which of the followings?

Select correct option:

The relationship between bond interest rates (yields) and bond prices

The relationship between liquidity and bond interest rates (yields)

The relationship between risk and bond interest rates (yields)

The relationship between time to maturity and bond interest rates (yields)

Question # 4 of 15 (Start time: 11:32:37 PM) Total Marks: 1

The price of a coupon bond can best be described as:

Select correct option:

The present value of the face value

The future value of the coupon payments and the face value

The present value of the coupon payments

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Both The present value of the face value and of the coupon payments

Question # 5 of 15 (Start time: 11:34:13 PM) Total Marks: 1
Coupon bonds make the annual payments which are called as

_____.
Select correct option:

Annual payments

Fixed payments

Coupon payments

Maturity payment

Question # 6 of 15 (Start time: 11:35:30 PM) Total Marks: 1
The reason for the government to get involved in the financial system is to:

Select correct option:

Protect investors

Ensure the stability of the financial system

Protect bank customers from monopolistic exploitation

All of the given options

Question # 7 of 15 (Start time: 11:36:00 PM) Total Marks: 1
Mr. A need 1000000 to buy a car for his personal use he contact with bank that give his loan this would be called

Select correct option:

Direct finance

Indirect finance

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Facilitate payment

All of above

Question # 8 of 15 (Start time: 11:37:33 PM) Total Marks: 1

The return on the bond is equal to which of the following?

Select correct option:

Coupon rate + rate of capital gains

Current yield + rate of capital gains

Coupon rate - rate of capital gains

Current yield - rate of capital gains

Total Marks: 1

The liquidity premium theory suggests that yield curves should usually be:

Select correct option:

Up-sloping

Inverted

Flat

Up-sloping through year 1, then flat thereafter

Question # 11 of 15 (Start time: 11:39:40 PM) Total Marks: 1

One of major disadvantage of fiat money is

Select correct option:

Only few resources are needed

It may be theft easily

Normally it is obsolete quickly

Pressure or corrupt government may print excessive mone

Question # 13 of 15 (Start time: 11:40:36 PM) Total Marks: 1

According to the rule of 72 for reasonable rates of return, the

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time it takes to _____ the money will be $t = 72/i\%$

Select correct option:

Doubles

Triples

halves

$\frac{3}{4}$

Question # 14 of 15 (Start time: 11:41:28 PM) Total Marks: 1

GDP deflator is called

Select correct option:

Retailer price index

Consumer price index

Producer price index

None of above

Question # 15 of 15 (Start time: 11:42:02 PM) Total Marks: 1

Sum of all the probabilities should be equal to which one of the following?

Select correct option:

Zero

One

Two

Three

Question # 3 of 15 (Start time: 11:45:12 PM) Total Marks: 1

The Segmented Markets Theory of term structure suggests that:

▶ Select correct option:

Investors have strong preferences for bonds of a particular maturity

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- Investors have no preference for short-term bonds over long-term bonds, or vice versa
- Interest rates on long-term bonds strongly influence the demand for short-term bonds
- Bonds of different maturities are perfect substitutes for each other

Question # 4 of 15 (Start time: 11:47:03 PM) Total Marks: 1

The longer the time (n) until the payment:

Select correct option:

The lower the present value

The higher the present value because time is valuable

The lower must be the interest rate

Time has no effect on present value

Question # 5 of 15 (Start time: 11:49:00 PM) Total Marks: 1

What is primary cause of inflation?

Select correct option:

Energy crises

Gold reserve shortage

Issue excessive currency

Rising cost of input

Question # 6 of 15 (Start time: 11:49:51 PM) Total Marks: 1

In which of the following bonds we may ignore the default risk?

Select correct option:

Privately issued bonds

Government issued bonds

Bonds issued by Corporate

All of the given options

Solved by Shifa

Question # 8 of 15 (Start time: 11:50:50 PM) Total Marks: 1

When a bond becomes more liquid relative to its alternatives, the demand curve for bonds shifts to the:

Select correct option:

Right

Left

No change

None of the given options

Question # 9 of 15 (Start time: 11:51:49 PM) Total Marks: 1

Bonds that are issued by Government are called _____.

Select correct option:

Government bond

Treasury bond

Corporate bond

Callable Bonds

Question # 10 of 15 (Start time: 11:52:20 PM) Total Marks: 1

You receive a check for \$100 two years from today. The discounted present value of this \$100 is:

Select correct option:

$\$100/(1+i)$

$\$100*(1+i)^2$

$\$100*(1+i)$

$\$100/(1+i)^2$

Question # 12 of 15 (Start time: 11:53:00 PM) Total Marks: 1

Diversification is the principle of:

Select correct option:

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Holding more than one risk at a time

Reducing the risks we carry to just two

Creating risk to increase returns

Eliminating investments from our portfolio that have idiosyncratic risk

Question # 13 of 15 (Start time: 11:54:29 PM) Total Marks: 1

The Financial Systems makes it easier to trade because it:

Select correct option:

Facilitate Payments

Channels Funds from Savers to Borrowers.

Enables Risk Sharing

All of the given options

Question # 14 of 15 (Start time: 11:55:12 PM) Total Marks: 1

Which of the variable measured in point of time?

Select correct option:

Flow variable

Stock variable

Both flow variable and stock variable

None of above

Question # 15 of 15 (Start time: 11:56:10 PM) Total Marks: 1

The _____ are an assessment of the creditworthiness of the corporate issuer.

Select correct option:

Bond yield

Bond ratings

Bond risk

Bond price

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Question # 1 of 15 (Start time: 10:33:30 AM) Total Marks: 1
_____ is the value today of a payment that is promised to be made in the future.

Select correct option:

Future value

Present value

Agreed value

None of the given options

Question # 2 of 15 (Start time: 10:34:34 AM) Total Marks: 1
Which of the following best describes default risk?

Select correct option:

The chance the issuer will be unable to make interest payments or repay principal

The chance the issuer will retire the debt early

The chance the issuing firm will be sold to another firm

The chance the issuer will sell more debt

Question # 3 of 15 (Start time: 10:35:08 AM) Total Marks: 1
GDP deflator is called

Select correct option:

Retailer price index

Consumer price index

Producer price index

None of above

Question # 4 of 15 (Start time: 10:36:36 AM) Total Marks: 1

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Considering the Liquidity Premium Theory, if investors expect short term interest rates to decrease:

Select correct option:

The yield curve must have a positive slope

The yield curve must be inverted

The yield curve could be flat

The slope of the yield curve should actually increase

Question # 5 of 15 (Start time: 10:38:02 AM) Total Marks: 1

Which of the following represents the fisher's equation?

Select correct option:

Nominal interest rate = real interest rate + inflation

Nominal interest rate + inflation = real interest rate

Nominal interest rate = real interest rate - inflation

Nominal interest rate = real interest rate / inflation

Question # 6 of 15 (Start time: 10:39:29 AM) Total Marks: 1

Which of the following would probably NOT earn an A rating from Standard & Poor's:

Select correct option:

30 years bond issued by the U.S. Treasury

New vegetarian fast-food chain

90 days T-Bills issued by the U.S. Treasury

Both 30 years bond and 90 days T-Bills issued by U.S. Treasury

Question # 7 of 15 (Start time: 10:40:52 AM) Total Marks: 1

If YTM is greater than the coupon rate the price of the bond is _____.

Select correct option:

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Greater than its face value

Lower than its face value

Equals to its face value

All of the given options

Question # 8 of 15 (Start time: 10:42:05 AM) Total Marks: 1

If the annual interest rate is 6%, the price of a 1-year Treasury bill with \$100 face value would be:

Select correct option:

\$94.00

\$94.33

\$95.25

\$96.10

Question # 9 of 15 (Start time: 10:43:08 AM) Total Marks: 1

Time affects the value of which of the following?

Select correct option:

Financial Instruments

Financial Markets

Financial Institutions

Central Banks

Question # 10 of 15 (Start time: 10:44:28 AM) Total Marks: 1

A risk-averse investor will:

Select correct option:

Always prefer an investment with a lower expected return

Always prefer an investment with a certain return to one with the same expected return but any amount of uncertainty

Always require a certain return

Always focus exclusively on the expected return

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Question # 11 of 15 (Start time: 10:45:37 AM) Total Marks: 1
Investors will hold higher compensation for the _____ investment.

Select correct option:

More risky

Less risky

Fixed return

Less dividend

Question # 12 of 15 (Start time: 10:45:57 AM) Total Marks: 1
An increase in the expected inflation shifts the bond demand to the _____.

Select correct option:

Right

Left

No change

All of the given options

Question # 13 of 15 (Start time: 10:46:21 AM) Total Marks: 1
You receive a check for \$100 two years from today. The discounted present value of this \$100 is:

Select correct option:

$\$100/(1+i)$

$\$100*(1+i)^2$

$\$100*(1+i)$

$\$100/(1+i)^2$

Question # 14 of 15 (Start time: 10:46:54 AM) Total Marks: 1

Solved by Shifa

Which of the following is NOT an example of financial institutions?

Select correct option:

Banks

Securities firms

Stock exchanges

Insurance companies

Question # 15 of 15 (Start time: 10:47:14 AM) Total Marks: 1

The bond rating of a security refers to which of the followings?

Select correct option:

The size of the coupon payment relative to the face value

The return a holder is likely to receive

The likelihood the lender/borrower will be repaid by the borrower/issuer

The years until the bond matures

Question # 1 of 15 (Start time: 10:13:53 AM) Total Marks: 1

Yield curves show which of the followings?

Select correct option:

The relationship between bond interest rates (yields) and bond prices

The relationship between liquidity and bond interest rates (yields)

The relationship between risk and bond interest rates (yields)

The relationship between time to maturity and bond interest rates (yields)

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Question # 2 of 15 (Start time: 10:15:16 AM) Total Marks: 1

Considering the Liquidity Premium Theory, if investors expect short term interest rates to decrease:

Select correct option:

The yield curve must have a positive slope

The yield curve must be inverted

The yield curve could be flat

The slope of the yield curve should actually increase

Question # 3 of 15 (Start time: 10:16:41 AM) Total Marks: 1

Which of the following best expresses the proceeds a lender receives from a simple loan?

Select correct option:

$PV(1 + i)$

FV/i

$PV + i$

PV/i

Question # 4 of 15 (Start time: 10:17:14 AM) Total Marks: 1

When the price of a bond is above face value:

Select correct option:

The yield to maturity will be above the coupon rate

The yield to maturity is below the coupon rate

The yield to maturity will equal zero

The yield to maturity will equal the coupon rate

Question # 5 of 15 (Start time: 10:18:33 AM) Total Marks: 1

What will the yield curve look like if future short-term interest rates are expected to rise sharply?

Select correct option:

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It will steeply slope upward

It will be horizontal

It will slightly slope upward

It will slope downward

Question # 6 of 15 (Start time: 10:19:50 AM) Total Marks: 1

When a bond becomes more liquid relative to its alternatives, the demand curve for bonds shifts to the:

Select correct option:

Right

Left

No change

None of the given options

Question # 7 of 15 (Start time: 10:21:07 AM) Total Marks: 1

Debt instruments is categorized on the basis of which one of the following?

Select correct option:

Loan maturity period

Interest rates

Mode of payment of interest

Amount of the debt taken

Question # 8 of 15 (Start time: 10:22:20 AM) Total Marks: 1

Beside default risk which one if the following factor affects the return on bond?

Select correct option:

Taxes

Monetary policy

Junk bonds

Solved by Shifa

Debt

Question # 9 of 15 (Start time: 10:23:43 AM) Total Marks: 1

What characteristic of money is not included in securities characteristics

Select correct option:

Mean of payment

Unit of account

Store of value

Transfer of risk

Question # 10 of 15 (Start time: 10:24:12 AM) Total Marks: 1

Which one of the following is the narrowest definition of money?

Select correct option:

C

M1

M2

M3

Question # 11 of 15 (Start time: 10:24:31 AM) Total Marks: 1

Which one of the following is a component of wealth that is held in a readily spendable form?

Select correct option:

Money

Bonds

Stocks

Income

Question # 12 of 15 (Start time: 10:25:00 AM) Total Marks: 1

The bond rating of a security refers to which of the followings?

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Select correct option:

The size of the coupon payment relative to the face value

The return a holder is likely to receive

The likelihood the lender/borrower will be repaid by the borrower/issuer

The years until the bond matures

Question # 13 of 15 (Start time: 10:26:31 AM) Total Marks: 1

A loan that is used to purchase the real estate is known as:

Select correct option:

Real estate loan

Home mortgages

Fixed payment loan

Home loan

Question # 14 of 15 (Start time: 10:27:54 AM) Total Marks: 1

The default premium:

Select correct option:

Is positive for a U.S. Treasury bond

Must always be less than 0 (zero)

Is also known as the risk spread

Is assigned by a bond rating agency

Question # 15 of 15 (Start time: 10:29:24 AM) Total Marks: 1

Time affects the value of which of the following?

Select correct option:

Financial Instruments

Financial Markets

Financial Institutions

Central Banks

Solved by Shifa

Wider the range of outcome wider will be the _____.
Select correct option:

Risk

Profit

Probability

Lose

The interest rate that is involved in _____ calculation is referred to as discount rate
Select correct option:

Present value

Future value

Intrinsic value

Discount value

The return on holding a bond till its maturity is called:
Select correct option:

Coupon rate

Yield to maturity

Current yield

Internal rate of return

following represents the fisher's equation?
Select correct option:

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Nominal interest rate = real interest rate + inflation

Nominal interest rate + inflation = real interest rate

Nominal interest rate = real interest rate - inflation

Nominal interest rate = real interest rate / inflation

Bonds without maturity dates are which of the followings?

Select correct option:

Zero coupon bonds

Coupon securities

Consols

Preferred Bonds

A risk-averse investor will:

Select correct option:

Always prefer an investment with a lower expected return

Always prefer an investment with a certain return to one with the same expected return but any amount of uncertainty

Always require a certain return

Always focus exclusively on the expected return

GDP deflator is called

Select correct option:

Retailer price index

Consumer price index

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Producer price index

None of above

What will be the effect on the present value if we double the future value of the payment?

Select correct option:

It will decrease the value by one-half

It will increase the value by one-half

It will equally increase the value i.e. doubles the value

It will have no effect on the value

Government bonds called Where as corporate bonds are called

Select correct option:

Zero coupon bond, coupon bond

Risky bond. Risk free bond

T bill, corporate bond

Console bond, junk bonds

Beside default risk which one if the following factor affects the return on bond?

Select correct option:

Taxes

Monetary policy

Junk bonds

Debt

Which of the following are used to monitor and stabilize the economy?

Select correct option:

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Stock exchanges

Commercial Banks

Central Banks

Financial institutions

What will be the result of the difference of real and nominal interest rate?

Select correct option:

The cost of borrowing

The effect of inflation

The price of bonds

The return of bonds

Which of the following expresses 6.5%?

Select correct option:

0.0065

6.50

0.650

0.0650

Diversification is the principle of:

Select correct option:

Holding more than one risk at a time

Reducing the risks we carry to just two

Creating risk to increase returns

Eliminating investments from our portfolio that have idiosyncratic risk

Current accounts of commercial bank lies in which money aggregate definition?

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Select correct option:

Currency

M1

M2

M3

Which of the following would be considered characteristic of money?

Select correct option:

It is store of value

It pays a higher return than most assets

It is in fixed supply

It is legal tender everywhere in the world

When the price of a bond is above face value:

Select correct option:

The yield to maturity will be above the coupon rate

The yield to maturity is below the coupon rate

The yield to maturity will equal zero

The yield to maturity will equal the coupon rate

Question No: 1 (Marks: 1) - Please choose one

Given a choice between two investments with the same expected payoff:

- ▶ Most people will select the one with the highest variance
- ▶ Most people will opt for the one with the higher standard deviation
- ▶ Most people will be indifferent since the expected payoffs are the same
- ▶ Most people will choose the one with the lower standard deviation

Question No: 2 (Marks: 1) - Please choose one

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For the valuation of goods and for quoting prices under the barter system the general formula which is used for n goods is _____.

- ▶ $n(n+1)/2$
- ▶ $n(n-1)*2$
- ▶ $n(n-1)/2$
- ▶ $(n-1)/2$

Question No: 3 (Marks: 1) - Please choose one

_____ are organized to eliminate the need of costly information gathering.

- ▶ Central banks
- ▶ Commercial banks
- ▶ Stock exchanges
- ▶ Insurance companies

Question No: 4 (Marks: 1) - Please choose one

Considering the value of a financial instrument, the longer the time until the promised payment is made:

- ▶ The less valuable is the promise to make it since time is valuable
- ▶ The greater the risk, therefore the promise has greater value
- ▶ The more valuable is the promise to make it
- ▶ It has no effect on the value of instrument

Question No: 5 (Marks: 1) - Please choose one

The real interest rate is:

- ▶ The nominal rate plus the expected inflation rate
- ▶ The nominal rate minus the expected inflation rate
- ▶ The nominal interest rate divided by the Consumer Price Index
- ▶ The product of the nominal rate and the Consumer Price Index

Question No: 6 (Marks: 1) - Please choose one

Which of the following is ***NOT*** a non depository institution?

- ▶ House Building Finance Corporation
- ▶ Zarar Tarkaytee Bank LTD
- ▶ United Bank LTD
- ▶ Khushali Bank

Question No: 7 (Marks: 1) - Please choose one

Financial intermediaries provide small lender-savers all of the following advantages

EXCEPT:

- ▶ Greater liquidity
- ▶ Lower transaction cost
- ▶ Lower risk

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- ▶ Higher return

Question No: 8 (Marks: 1) - Please choose one

What will be the Future Value (FV) of \$1000 in 5 years at 5% interest rate?

- ▶ \$1300.00
- ▶ **\$1276.28**
- ▶ \$1999.99
- ▶ \$1500.52

Question No: 9 (Marks: 1) - Please choose one

If the factor time (n) is longer then:

- ▶ **Present value will be lower**
- ▶ Present value will be higher
- ▶ Interest rate will be lower
- ▶ Time has no effect on present value

Question No: 10 (Marks: 1) - Please choose one

An investment carrying a current cost of \$130,000 is going to generate \$70,000 of revenue for each of the next three years. To calculate the internal rate of return we need to:

- ▶ Calculate the present value of each of the \$70,000 payments and multiply these and set this equal to \$130,000
- ▶ Take the present value of \$210,000 for three years from now and set this equal to \$130,000
- ▶ **Set the sum of the present value of \$70,000 for each of the next three years equal to \$130,000**
- ▶ Subtract \$130,000 from \$210,000 and set this difference equal to the interest rate

Question No: 11 (Marks: 1) - Please choose one

Which of the following statement best describes to calculate the future value?

- ▶ **Multiply the present value by the interest rate and add that amount of interest to the present value**
- ▶ Divide the present value by the interest rate and add that amount of interest to the present value.
- ▶ Divide the present value by the interest rate and subtract that amount of interest to the present value.
- ▶ Multiply the present value by the interest rate and subtract that amount of interest to the present value.

Question No: 12 (Marks: 1) - Please choose one

A credit market instrument that pays the owner a fixed coupon payment every year until the maturity date and then repays the face value is called:

Solved by Shifa

- ▶ Simple loan
- ▶ Fixed-payment loan
- ▶ **Coupon bond**
- ▶ Discount bond

Question No: 13 (Marks: 1) - Please choose one

When an individual obtains a student loan and makes all of the regular monthly payments, the sum of the payments made will exceed the initial amount of the loan. Which of the core principle primarily applies in this situation?

- ▶ Risk Requires Compensation
- ▶ **Time has value**
- ▶ Markets are sometimes inefficient at allocating resources
- ▶ Information is the basis for decisions

Question No: 14 (Marks: 1) - Please choose one

_____ is the strategy of reducing overall risk by making two investments with opposing risks.

- ▶ Spreading the risk
- ▶ Standard deviation
- ▶ **Hedging the risk**
- ▶ Variance

Question No: 15 (Marks: 1) - Please choose one

Which of the following statement is **NOT** true for consols?

- ▶ Consol offers only periodic interest payments
- ▶ Borrower never repays the principal
- ▶ **There are Government and as well as private consols**
- ▶ Price of a consol is the present value of all the future interest payments

Question No: 16 (Marks: 1) - Please choose one

The _____ are an assessment of the creditworthiness of the corporate issuer.

- ▶ Bond yield
- ▶ **Bond ratings**
- ▶ Bond risk
- ▶ Bond price

Question No: 17 (Marks: 1) - Please choose one

The price of a 6-month Treasury Bill is _____ the price of a 1-year Treasury Bill.

- ▶ Lower than
- ▶ **Higher than**

Solved by Shifa

- ▶ Equal to
- ▶ None of the given options

Question No: 18 (Marks: 1) - Please choose one

For a \$1000 one year discount bond with a price of \$975, the yield to maturity is which of the following?

- ▶ $\$975/\1000
- ▶ $(\$1000 - \$975)/\$975$
- ▶ $(\$1000 - \$975)/(\$1000)$
- ▶ $\$1000/\975

Question No: 19 (Marks: 1) - Please choose one

If YTM is greater than the coupon rate the price of the bond is _____.

- ▶ Greater than its face value
- ▶ Lower than its face value
- ▶ Equals to its face value
- ▶ Insufficient information is given

Question No: 20 (Marks: 1) - Please choose one

In the long run, the yield curve tends to be which of the following?

- ▶ Upward sloping
- ▶ Downward sloping
- ▶ Nearly vertical
- ▶ Nearly horizontal

Question No: 21 (Marks: 1) - Please choose one

Beside default risk which one if the following factor affects the return on bond?

- ▶ Taxes
- ▶ Monetary policy
- ▶ Junk bonds
- ▶ Debt

Question No: 22 (Marks: 1) - Please choose one

If the tax rate is higher than gap between yield on taxable and tax exempt bond?

- ▶ Shorter
- ▶ Wider
- ▶ No gap
- ▶ Any thing can be possible

Question No: 23 (Marks: 1) - Please choose one

Which of the following statement is correct about the yield curve?

- ▶ Yield on short term bonds are not more volatile than yield on long term bond

Solved by Shifa

- ▶ Long term yields tend to be higher than short term yield
- ▶ Interest rate of different maturities don't tend to move together
- ▶ None of the given options

Question No: 24 (Marks: 1) - Please choose one

The concept of limited liability says a **stockholder** of a corporation:

- ▶ Is liable for the corporation's liabilities, but nothing more
- ▶ Cannot receive dividends that exceed their investment
- ▶ Cannot own more than five percent of any public corporation
- ▶ Cannot lose more than their investment

Question No: 25 (Marks: 1) - Please choose one

Mr. David makes payment in the form of paper cheques to a merchant in exchange of some goods. Merchant deposits that cheque in his bank in order to receive payment.

Which one of the following is **NOT** true for the above situation?

- ▶ Merchant's bank will debit merchant's account and credit Mr. David's account.
- ▶ Merchant's bank will just credit the merchant account and send cheque to central bank for further processing.
- ▶ Mr. David's bank will debit his account.
- ▶ Central bank will credit merchant's bank reserve account and debit Mr. David's Bank account.

Question No: 26 (Marks: 1) - Please choose one

Requiring a large deductible on the part of an insured is one way insurers treat the problem of:

- ▶ Free-riding
- ▶ Moral hazard
- ▶ Adverse selection
- ▶ The Lemons market

Question No: 27 (Marks: 1) - Please choose one

Money once consisted of Gold and silver coins which were eventually replaced by which of the following?

- ▶ Plastic money
- ▶ Paper money
- ▶ Commodity money
- ▶ E-money

Question No: 28 (Marks: 1) - Please choose one

If a bank has 2000 depositors, each of whom deposits \$500 in the bank, and the bank makes 100 loans of \$10,000 each:

- ▶ Each depositor has contributed \$100 to each loan
- ▶ Each depositor has contributed \$5 to each loan

Solved by Shifa

- ▶ Each depositor has contributed \$50 to each loan
- ▶ Each depositor has contributed \$500 to each loan

Question # 1 of 20

Bonds without maturity dates are which of the followings?

Select correct option:

Zero coupon bonds

Coupon securities

Consols

Preferred Bonds

Question # 4 of 20 (Start time: 08:02:08 PM)

Total Marks: 1

Which of the following represents the fisher's equation?

Select correct option:

Nominal interest rate = real interest rate + inflation

Nominal interest rate + inflation = real interest rate

Solved by Shifa

Nominal interest rate = real interest rate - inflation

Nominal interest rate = real interest rate / inflation

Question # 5 of 20 (Start time: 08:03:08 PM)

Total Marks: 1

The return on holding a bond till its maturity is called:

Select correct option:

Coupon rate

Yield to maturity

Current yield

Internal rate of return

Question # 6 of 20 (Start time: 08:03:27 PM)

Total Marks: 1

Wider the range of outcome wider will be the _____.

Select correct option:

Risk

Profit

Solved by Shifa

Probability

Lose

Question # 7 of 20 (Start time: 08:04:42 PM)

Total Marks: 1

The interest rate that is involved in _____ calculation is referred to as discount rate

Select correct option:

Present value

Future value

Intrinsic value

Discount value

Question # 8 of 20 (Start time: 08:06:05 PM)

Total Marks: 1

Bonds that are issued by Government are called _____.

Select correct option:

Solved by Shifa

Government bond

Treasury bond

Corporate bond

Callable Bonds

Question # 13 of 20 (Start time: 08:13:26 PM)

Total Marks: 1

If a bond sells at a premium, where price exceeds face value, then we would expect to see:

Select correct option:

Market interest rate the same as the coupon rate

Market interest rates above the coupon rate

Market interest rates below the coupon rate

All of the given options

Solved by Shifa

Question # 14 of 20 (Start time: 08:14:49 PM)

Total Marks: 1

With direct finance we mean which of the following?

Select correct option:

Individuals (or firms) borrow directly from the savers

Individuals (or firms) borrow directly from banks.

Individuals deposit savings directly in banks.

Firms deposit savings directly in banks.

Question # 15 of 20 (Start time: 08:16:14 PM)

Total Marks: 1

Investors will hold higher compensation for the _____ investment.

Select correct option:

More risky

Less risky

Fixed return

Less dividend

Solved by Shifa

Question # 16 of 20 (Start time: 08:17:16 PM)

Total Marks: 1

Which of the following best expresses the proceeds a lender receives from a simple loan?

Select correct option:

PV(1 + i)

FV/i

PV + i

PV/i

Question # 17 of 20 (Start time: 08:18:11 PM)

Total Marks: 1

A financial instrument in which a borrower obtains resources from a lender immediately in exchange for a promised set of payments in the future is called as _____.

Select correct option:

Bond

Bank Loan

Home Mortgage

Solved by Shifa

Futures Contract

Question # 18 of 20 (Start time: 08:19:18 PM)

Total Marks: 1

According to the rule of 72 for reasonable rates of return, the time it takes to _____ the money will be $t = 72/i\%$

Select correct option:

Doubles

Triples

halves

3/4

Question # 20 of 20 (Start time: 08:21:06 PM)

Total Marks: 1

A loan that is used to purchase the real estate is known as:

Select correct option:

Real estate loan

Home mortgage

Solved by Shifa

Fixed payment loan

Home loan

Question # 2 of 20

When a bond becomes more liquid relative to its alternatives, the demand curve for bonds shifts to the:

Select correct option:

Right

Left

No change

None of the given options

Liquidity of bonds relative to alternatives

§ When a bond becomes more liquid relative to alternatives, the demand curve shifts to the right

49

Question # 4 of 20

Consumer Price Index (CPI) measures the:

Select correct option:

Solved by Shifa

Changes in the quantity

Changes in the prices

Changes in the cost

Changes in the profit

Question # 5 of 20

A risk- averse investor will:

Select correct option:

Always prefer an investment with a lower expected return

Always prefer an investment with a certain return to one with the same expected return but any amount of uncertainty

Always require a certain return

Always focus exclusively on the expected return

Question # 9 of 20

Total Marks: 1

Which of the following best represent the true relationships between interest rates and bond prices?

Select correct option:

Solved by Shifa

Move in the same direction

Move in opposite direction

Sometimes move in the same direction, some times in opposite direction

Have no relationship with each other (i.e. they are independent)

Question # 10 of 20

Total Marks: 1

Which one of the following is a component of wealth that is held in a readily spendable form?

Select correct option:

Money

Bonds

Stocks

Income

Question # 11 of 20

Total Marks: 1

The return on the bond is equal to which of the following?

Select correct option:

Solved by Shifa

Coupon rate + rate of capital gains

Current yield + rate of capital gains

Coupon rate - rate of capital gains

Current yield - rate of capital gains

Question # 13 of 20 (Start time: 08:41:14 PM)

Time affects the value of which of the following?

Select correct option:

Financial Instruments

Financial Markets

Financial Institutions

Central Banks

Question # 14 of 20

Total Marks: 1

Which of the following statement is true about the relation ship between bond ,coupon payment and interest?

Select correct option:

Solved by Shifa

Coupon payments fall, the interest rate falls, and Bond price will rise

Coupon payments rises, the interest rate falls, and Bond price will rise

Coupon payments fall, the interest rate falls, and Bond price will fall

Coupon payments rise, the interest rate falls, and Bond price will fall

Question # 15 of 20

Total Marks: 1

The current yield on a \$10,000, 5% coupon bond selling for \$8,000 is:

Select correct option:

5.00%

6.25%

7.50%

8.00%

solution = coupon payment/price (so coupon payment 5% of 10,000 = 500)

= $500/8000 = .0625 * 100 = 6.25\%$

Question # 19 of 20

Solved by Shifa

Total Marks: 1

There is no guarantee that a bond issuer will make the promised payments is known as which one of the following?

Select correct option:

Default risk

Inflation risk

Interest rate risk

Systematic risk

Question # 20 of 20

Total Marks: 1

What will be the result of the difference of real and nominal interest rate?

Select correct option:

The cost of borrowing

The effect of inflation

The price of bonds

The return of bonds

Question # 1 of 20

Solved by Shifa

The Financial Systems makes it easier to trade because it:

Select correct option: Facilitate Payments

Channels Funds from Savers to Borrowers

Enables Risk Sharing

All of the given options

Question # 2 of 20

The process of financial intermediation:

Select correct option:

Creates a net cost to an economy but is unavoidable

Is used primarily in underdeveloped countries

Is always used when a borrower needs to obtain funds

Increases the economy's ability to produce

Question # 3 of 20

What is true relationship between return and risk?

Select correct option:

Solved by Shifa

Lower the risk greater the return

Greater the risk greater the return

Greater the risk the return will remain constant

Question # 4 of 20

Financial instruments are evolved just as _____.

Select correct option:

Currency

Stock

Bond

Commodity

Question # 5 of 20

Beside default risk which one if the following factor affects the return on bond?

Select correct option:

Taxes

Monetary policy

Junk bonds

Debt

Solved by Shifa

The second important factor that affects the return on a bond is taxes

Question # 7 of 20 (Start time: 06:31:33 PM) Total Marks: 1

Which of the following is the measure of likelihood that an event will occur?

Select correct option:

Risk

Probability

Frequency

Question # 8 of 20

According to the liquidity premium theory of the term structure, when the yield curve has its usual slope, the market expects

Select correct option:

Short-term interest rates to rise sharply

Short-term interest rates to stay near their current levels

Short-term interest rates to drop sharply

Short-term interest rates does not change

Solved by Shifa

Question # 9 of 20 Home loans and car loans are the example of which one of the following?

Select correct option:

Mortgage loans

Pledge

Fixed Payment Loans

Fixed Payment Loans

They promise a fixed number of equal payments at regular intervals

Home mortgages and car loans are examples of fixed payment loans

Question # 10 of 20

Which one of the following is the procedure of finding out the Present Value (PV)?

Select correct option:

Discounting

Compounding

Time value of money

Bond pricing

Solved by Shifa

Question # 12 of 20

Considering the Liquidity Premium Theory, if investors expect short term interest rates to decrease:

Select correct option:

The yield curve must have a positive slope

The yield curve must be inverted

The yield curve could be flat

The slope of the yield curve should actually increase

Question # 14 of 20

Most of the people among us are _____.

Select correct option:

Risk lovers

Risk enhancers

Risk averse

Risk tolerating

Question # 15 of 20

A risk-averse investor will:

Solved by Shifa

Select correct option:

Always prefer an investment with a lower expected return

Always prefer an investment with a certain return to one with the same expected return but any amount of uncertainty

Always require a certain return

Always focus exclusively on the expected return

Question # 16 of 20

The liquidity premium theory suggests that yield curves should usually be:

Select correct option:

Up-sloping

Inverted

Flat

Up-sloping through year 1, then flat thereafter

Wider the range of outcome wider will be the _____.

Select correct option:

Risk

Profit

Solved by Shifa

Probability

Measuring Risk

Most of us have an intuitive sense for risk and its measurement;

The wider the range of outcomes the greater the risk

The return on holding a bond till its maturity is called:

Coupon rate

Yield to maturity

Current yield

Fixed return

Question # 20 of 20

If information in a financial market is asymmetric, this means:

Select correct option:

Borrowers and lenders have perfect information

Borrowers would have more information than lenders

Borrowers and lenders have the same information

Lenders lack any information

Solved by Shifa

According to the rule of 72 for reasonable rates of return, the time it takes to _____ the money will be $t = 72/i\%$

Select correct option:

Doubles

Triples

Halves

3/4

Stock market bubbles can lead to:

Select correct option:

An inefficient allocation of resources

Stock market crashes

Patterns of volatile returns from the stock market

All of the given options

Which one of the following is true for the relationship between the yield of taxable and tax exempt bond?

Select correct option:

Higher the tax rate wider the gap between the yield of taxable and tax exempt bond

Solved by Shifa

Taxable bond yield is always greater than tax exempt bond

Higher the tax rate shorter the gap between yield of taxable and tax exempt bond

Lower the tax rate wider the gap between yield of taxable and tax exempt bond

change

The Dividend-Discount Model of stock valuation:

Select correct option:

Takes the annual dividend, adds it to the expected future selling price and divides by the number of years to get the current price

Takes the net present value of expected dividends and add it to the future sale price of the stock

Takes the net present value of the expected future price of the stock and add the annual dividend

Is an application of the net present value formula

In which of the following bonds we may ignore the default risk?

Select correct option:

Solved by Shifa

Privately issued bonds

Government issued bonds

Bonds issued by Corporate

All of the given options

The slope of the yield curve seems to predict the performance of the economy with:

Select correct option:

Usually 3 months lag

Usually two years lag

Usually within few weeks

Usually one year lag

The GDP deflator is calculated as _____.

Select correct option:

Nominal GDP/Real GDP *100

Real GDP/Nominal GDP

Nominal GDP – Real GDP

Solved by Shifa

Real GDP – Nominal GDP

What is true about the relationship between standard deviation and risk?

Select correct option:

Greater the standard deviation greater will be the risk

Greater the standard deviation lower will be the risk

Greater the standard deviation risk remains the same

No relation between them

The concept of limited liability says a stockholder of a corporation:

Select correct option:

Is liable for the corporation's liabilities, but nothing more

Cannot receive dividends that exceed their investment

Cannot own more than five percent of any public corporation

Cannot lose more than their investment

Solved by Shifa

Which of the following best describes the relationship between Bond prices and yields?

Select correct option:

Move together inversely

Bond yields do not change since the coupon is fixed

Move together directly

Are independent of each other

Which of the following best expresses the payment a lender receives for lending their money for four years?

Select correct option:

$PV(1+i)^4$

$PV/(1+i)^4$

$4PV$

$PV/(1-i)^4$

If YTM is greater than the coupon rate the price of the bond is _____.

Select correct option:

Solved by Shifa

Greater than its face value

Lower than its face value

Equals to its face value

All of the given options

Bond Price < Face Value:

Coupon Rate < Current Yield < Yield to Maturity

Question # 1

The _____ are an assessment of the creditworthiness of the corporate issuer.

Select correct option:

Bond yield

Bond price

Bond risk

Bond ratings

Bond price

Question # 2

Which of the following statement is true for the given sentence, "that tax

Solved by Shifa

affects the bond return"?

Select correct option:

Because only interest income they receive from bond is taxable

Because principal amount and interest income they receive from bond is taxable

Because bond holders are taxpayers

Because all bond is sold with a condition that tax will be deducted from its return

The second important factor that affects the return on a bond is taxes

Bondholders must pay income tax on the interest income they receive from privately issued

Question # 3

The relationship between the price and the interest rate for a zero coupon bond is best described as:

Select correct option:

Volatile

Stable

Non-existent

Inverse

Question # 4

When stock prices reflect fundamental values:

Select correct option:

All investors will experience capital gains

All companies will have an easier task of obtaining financing for investment projects

The allocation of resources will be more efficient

The overall level of the stock market should move higher continuously

Solved by Shifa

Question # 5

Coupon bonds make the annual payments which are called as _____.

Select correct option:

Annual payments

Fixed payments

Coupon payments

Maturity payment

Question # 6

If information in a financial market is asymmetric, this means:

Select correct option:

Borrowers and lenders have perfect information

Borrowers would have more information than lenders

Borrowers and lenders have the same information

Lenders lack any information

Question # 7

If YTM equals the coupon rate the price of the bond is _____.

Select correct option:

Greater than its face value

Lower than its face value

Equals to its face value

Insufficient information

Question # 8

The Financial Systems makes it easier to trade because it:

Select correct option:

Facilitate Payments

Solved by Shifa

Channels Funds from Savers to Borrowers

Enables Risk Sharing

All of the given options

Question # 9 of

Debt instruments is categorized on the basis of which one of the following?

Select correct option:

Loan maturity period

Interest rates

Mode of payment of interest

Amount of the debt taken

Question # 10

The return on holding a bond till its maturity is called:

Select correct option:

Coupon rate

Yield to maturity

Current yield

Internal rate of return

Question # 11

Which of the following are used to monitor and stabilize the economy?

Select correct option:

Stock exchanges

Commercial Banks

Central Banks

Financial institutions

Question # 12

Previously financial markets are located in which of the following?

Select correct option:

Solved by Shifa

Coffee houses or Taverns .

Stock exchanges
Bazaar
Coffee houses and Stock exchanges
Financial Markets

To buy and sell financial instruments quickly and cheaply

Evolved from coffeehouses to trading places (Stock exchanges) to electronic networks

Transactions are much more cheaper now

Markets offer a broader array of financial instruments than were available even 50 years ago

Question # 13

Requiring a large deductible on the part of an insured is one way insurers treat the problem of:
Select correct option:

Free-riding

Moral hazard

Adverse selection
The Lemons market

Question # 14

Which one of the following is the procedure of finding out the Present Value (PV)?

Select correct option:

Discounting

Compounding
Time value of money
Bond pricing

Solved by Shifa

Question # 15

_____ are organized to eliminate the need of costly information gathering.

Select correct option:

Central bank

Commercial banks

Stock exchanges

Insurance companies

Question # 16

With direct finance we mean which of the following?

Select correct option:

Individuals (or firms) borrow directly from the savers

Individuals (or firms) borrow directly from banks.

Individuals deposit savings directly in banks.

Firms deposit savings directly in banks.

Question # 17

Yield curves show which of the followings?

Select correct option:

The relationship between bond interest rates (yields) and bond prices

The relationship between liquidity and bond interest rates (yields)

The relationship between risk and bond interest rates (yields)

The relationship between time to maturity and bond interest rates (yields)

Question # 18

In a financial market where information is symmetric:

Select correct option:

Solved by Shifa

The same information would be known by both parties in a transaction

One party to a transaction knows information the other party does not

The ability to obtain information is available to only one party

All of the given options

Question # 19

Other things remaining equal, the liquidity premium theory is based upon the idea that _____.

Select correct option:

Investors prefer long-term bonds

Investors prefer short-term bonds

Investors are indifferent between short-term and long-term bonds

Investors prefer intermediate-term bonds

Question # 20

Spreading involves:

Select correct option:

Finding assets whose returns are perfectly negatively correlated

Building a portfolio of assets whose returns move together

Investing in bonds and avoiding stocks during bad times

Adding assets to a portfolio that move independently

Question # 1 of 20 (Start time: 05:44:09 PM) Total Marks: 1

_____ is the strategy of reducing overall risk by making two investments with opposing risks.

Select correct option:

Spreading the risk

Standard deviation

Hedging the risk

Variance

Question # 2 of 20 (Start time: 05:44:45 PM) Total Marks: 1

Solved by Shifa

The lowest rating for an investment grade bond assigned by Moody's is:
Select correct option:

- BBB
- ABB
- Baa**
- Aaa

Which one of the following is the narrowest definition of money?
Select correct option:

- C
- M1**
- M2
- M3

Question # 4 of 20 (Start time: 05:46:15 PM) Total Marks: 1

The price of a coupon bond can best be described as:
Select correct option:

- The present value of the face value
- The future value of the coupon payments and the face value
- The present value of the coupon payments
- Both The present value of the face value and of the coupon payments**

Question # 5 of 20 (Start time: 05:46:53 PM) Total Marks: 1

We need _____ to carry out day to day transactions.
Select correct option:

- Money**
- Bonds
- Stocks
- Loans

Question # 6 of 20 (Start time: 05:47:16 PM) Total Marks: 1

The process of financial intermediation:
Select correct option:

Solved by Shifa

Creates a net cost to an economy but is unavoidable
Is used primarily in underdeveloped countries
Is always used when a borrower needs to obtain funds
Increases the economy's ability to produce

Question # 7 of 20 (Start time: 05:47:51 PM) Total Marks: 1

Considering the Liquidity Premium Theory, if investors expect short term interest rates to decrease:

Select correct option:

The yield curve must have a positive slope

The yield curve must be inverted

The yield curve could be flat

The slope of the yield curve should actually increase

Question # 8 of 20 (Start time: 05:48:41 PM) Total Marks: 1

Which one of the following is true for the relationship between the yield of taxable and tax exempt bond?

Select correct option:

Higher the tax rate wider the gap between the yield of taxable and tax exempt bond

Taxable bond yield is always greater than tax exempt bond

Higher the tax rate shorter the gap between yield of taxable and tax exempt bond

Lower the tax rate wider the gap between yield of taxable and tax exempt bond

Question # 9 of 20 (Start time: 05:49:13 PM) Total Marks: 1

Which of the following expresses 6.5%?

Select correct option:

0.0065

6.50

0.650

0.0650

Solved by Shifa

Question # 10 of 20 (Start time: 05:50:19 PM) Total Marks: 1

What will be the result of the difference of real and nominal interest rate?

Select correct option:

The cost of borrowing

The effect of inflation

The price of bonds

The return of bonds

Question # 11 of 20 (Start time: 05:50:40 PM) Total Marks: 1

Other things remaining equal, the liquidity premium theory is based upon the idea that _____.

Select correct option:

Investors prefer long-term bonds

Investors prefer short-term bonds

Investors are indifferent between short-term and long-term bonds

Investors prefer intermediate-term bonds

Question # 12 of 20 (Start time: 05:51:25 PM) Total Marks: 1

The Segmented Markets Theory of term structure suggests that:

Select correct option:

Investors have strong preferences for bonds of a particular maturity

Investors have no preference for short-term bonds over long-term bonds, or vice versa

Interest rates on long-term bonds strongly influence the demand for short-term bonds

Bonds of different maturities are perfect substitutes for each other

.

Question # 13 of 20 (Start time: 05:52:23 PM) Total Marks: 1

Often a bank will require a loan officer to make personal visits on customers with loans outstanding. This is encouraged because:

Select correct option:

Solved by Shifa

The bank worries about competitors trying to steal their customers

The bank wants to make sure the business is still there

The bank likely has excess funds available and hopes to make another loan to the business

This is an effective monitoring technique and should reduce moral hazard

Question # 14 of 20 (Start time: 05:53:10 PM) Total Marks: 1

If the tax rate is higher than gap between yield on taxable and tax exempt bond?

Select correct option:

Shorter

Wider

No gap

Any thing can be possible

Question # 15 of 20 (Start time: 05:53:46 PM) Total Marks: 1

Investors will hold higher compensation for the _____ investment.

Select correct option:

More risky

Less risky

Fixed return

Less dividend

Question # 16 of 20 (Start time: 05:54:14 PM) Total Marks: 1

Which of the following are used to monitor and stabilize the economy?

Select correct option:

Stock exchanges

Commercial Banks

Central Banks

Financial institutions

Solved by Shifa

Question # 17 of 20 (Start time: 05:54:38 PM) Total Marks: 1

The theory of efficient market states that prices of financial instruments reflect:

Select correct option:

All available information

Some of the information

No information

Imperfect information

Question # 18 of 20 (Start time: 05:55:37 PM) Total Marks: 1

With direct finance we mean which of the following?

Select correct option:

Individuals (or firms) borrow directly from the savers

Individuals (or firms) borrow directly from banks.

Individuals deposit savings directly in banks.

Firms deposit savings directly in banks.

Question # 19 of 20 (Start time: 05:56:08 PM) Total Marks: 1

Which of the following best describes the relationship between Bond prices and yields?

Select correct option:

Move together inversely

Bond yields do not change since the coupon is fixed

Move together directly

Are independent of each other

Question # 20 of 20 (Start time: 05:56:35 PM) Total Marks: 1

The fact that common stockholders are residual claimants means:

Select correct option:

The stockholders receive their dividends before any other residuals are paid

The stockholders receive the remains after everyone else is paid

Solved by Shifa

The stockholders are paid any past due dividends before other claims are paid

The common stockholders are responsible for all corporate debts

Question # 1 of 20 (Start time: 08:59:18 PM) Total Marks: 1

Which of the following best expresses the payment a lender receives for lending their money for four years?

Select correct option:

PV(1+i)⁴

PV/(1 + i)⁴

4PV

PV/(1 - i)⁴

Question # 2 of 20 (Start time: 08:59:55 PM) Total Marks: 1

Bonds that are issued by Government are called _____.

Select correct option:

Government bond

Treasury bond

Corporate bond

Callable Bonds

Solved by Shifa

Question # 3 of 20 (Start time: 09:00:14 PM) Total Marks: 1

_____ is the interest rate at which the present value annual revenue equals the cost of the investment.

Select correct option:

Fixed rate of interest

Internal rate of return

Variable rate of interest

Nominal rate of interest

Question # 4 of 20 (Start time: 09:00:38 PM) Total Marks: 1

In which of the following bonds we may ignore the default risk?

Select correct option:

Privately issued bonds

Government issued bonds

Bonds issued by Corporate

All of the given options

Question # 5 of 20 (Start time: 09:00:53 PM) Total Marks: 1

Most of the people among us are _____.

Solved by Shifa

Select correct option:

Risk lovers

Risk enhancers

Risk averse

Risk tolerating

Question # 7 of 20 (Start time: 09:01:26 PM) Total Marks: 1

A risk-averse investor will:

Select correct option:

Always prefer an investment with a lower expected return

Always prefer an investment with a certain return to one with the same expected return but any amount of uncertainty

Always require a certain return

Always focus exclusively on the expected return

Question # 8 of 20 (Start time: 09:01:51 PM) Total Marks: 1

Which of the following is NOT included in the definition of M1?

Select correct option:

Traveler's checks

Demand deposits

Solved by Shifa

Currency

Gold coins issued by treasury

Question # 9 of 20 (Start time: 09:02:04 PM) Total Marks: 1

Which one of the following is true for financial intermediaries?

Select correct option:

Channel funds from savers to borrowers

Greatly enhance economic efficiency

Have been an source of many financial innovations

All of the given options

Question # 10 of 20 (Start time: 09:02:32 PM) Total Marks: 1

The lowest rating for an investment grade bond assigned by Moody's is:

Select correct option:

BBB

ABB

Baa

Aaa

Question # 11 of 20 (Start time: 09:03:58 PM) Total Marks: 1

If YTM is less than the coupon rate the price of the bond is _____.

Solved by Shifa

Select correct option:

Greater than its face value

Lower than its face value

Equals to its face value

All of the given options

Question # 12 of 20 (Start time: 09:05:29 PM) Total Marks: 1

What will be the effect on the present value if we double the future value of the payment?

Select correct option:

It will decrease the value by one-half

It will increase the value by one-half

It will equally increase the value i.e. doubles the value

It will have no effect on the value

Question # 13 of 20 (Start time: 09:06:06 PM) Total Marks: 1

Which one of the following is the narrowest definition of money?

Select correct option:

C

M1

M2

Solved by Shifa

M3

Question # 14 of 20 (Start time: 09:06:50 PM) Total Marks: 1

We need _____ to carry out day to day transactions.

Select correct option:

Money

Bonds

Stocks

Loans

Question # 15 of 20 (Start time: 09:07:01 PM) Total Marks: 1

Which one of the following is the strategy of reducing overall risk by making two investments which are totally independent of each other?

Select correct option:

Spreading the risk

Standard deviation

Hedging the risk

Variance

Question # 16 of 20 (Start time: 09:08:07 PM) Total Marks: 1

Solved by Shifa

The Segmented Markets Theory of term structure suggests that:

Select correct option:

**Investors have strong preferences for bonds of a particular maturity
(This is correct)**

Investors have no preference for short-term bonds over long-term bonds, or vice versa

Interest rates on long-term bonds strongly influence the demand for short-term bonds

Bonds of different maturities are perfect substitutes for each other

Question # 17 of 20 (Start time: 09:09:36 PM) Total Marks: 1

The process of financial intermediation:

Select correct option:

Creates a net cost to an economy but is unavoidable

Is used primarily in underdeveloped countries

Is always used when a borrower needs to obtain funds

Increases the economy's ability to produce

Question # 18 of 20 (Start time: 09:09:56 PM) Total Marks: 1

What will the yield curve look like if future short-term interest rates are expected to rise sharply?

Solved by Shifa

Select correct option:

It will steeply slope upward

It will be horizontal

It will slightly slope upward

It will slope downward

Question # 19 of 20 (Start time: 09:10:37 PM) Total Marks: 1

Sum of all the probabilities should be equal to which one of the following?

Select correct option:

Zero

One

Two

Three

Spreading involves:

Select correct option:

Finding assets whose returns are perfectly negatively correlated

Building a portfolio of assets whose returns move together

Investing in bonds and avoiding stocks during bad times

Adding assets to a portfolio that move independently

Solved by Shifa

Internal Rate of Return is _____.

Select correct option:

Present value of investment

Future value of its investment + Cost of investment

Cost of investment

Present value of investment + cost of investment

Which of the following best describes checks?

Select correct option:

A means of payment

Money

Not a promise of any kind

Not acceptable by the U.S. Government for payment of taxes.

A business cycle downturn shifts the bond supply to the:

Select correct option:

Solved by Shifa

Right

Left

No change

None of the given options

According to the liquidity premium theory of the term structure, when the yield curve has its usual slope, the market expects

Select correct option:

Short-term interest rates to rise sharply

Short-term interest rates to stay near their current levels

Short-term interest rates to drop sharply

Short-term interest rates does not change

Which of the following represents the fisher's equation?

Select correct option:

Nominal interest rate = real interest rate + inflation

Nominal interest rate + inflation = real interest rate

Nominal interest rate = real interest rate - inflation

Solved by Shifa

Nominal interest rate = real interest rate / inflation

Bonds that are issued by Government are called _____.

Select correct option:

Government bond

Treasury bond

Corporate bond

Callable Bonds

What will the yield curve look like if future short-term interest rates are expected to rise sharply?

Select correct option:

It will steeply slope upward

It will be horizontal

It will slightly slope upward

It will slope downward

The interest rate that is involved in _____ calculation is referred to as discount rate

Solved by Shifa

Select correct option:

Present value

Future value

Intrinsic value

Discount value

Which one of the following is true for the relationship between the yield of taxable and tax exempt bond?

Select correct option:

Higher the tax rate wider the gap between the yield of taxable and tax exempt bond

Taxable bond yield is always greater than tax exempt bond

Higher the tax rate shorter the gap between yield of taxable and tax exempt bond

Lower the tax rate wider the gap between yield of taxable and tax exempt bond

You start with a \$1000 portfolio; it loses 40% over the next year, the following year it gains 50% in value; At the end of two years the worth of your portfolio will be:

Select correct option:

\$900

\$600

Solved by Shifa

\$1000

\$1100

first year gain = $1000 * .40 = 400$

second year loss = $1000 * .5 = 500$

Total gain or loss after two year = $400 - 500 = -100$

$1000 - 100 = 900$

.

What is true relationship between return and risk?

Select correct option:

Lower the risk greater the return

Greater the risk greater the return

Greater the risk the return will remain constant

No relationship between them

Which of the following is NOT included in the definition of M1?

Select correct option:

Traveler's checks

Demand deposits

Currency

Solved by Shifa

Gold coins issued by treasury

The Financial Systems makes it easier to trade because it:

Select correct option:

Facilitate Payments

Channels Funds from Savers to Borrowers

Enables Risk Sharing

All of the given options

Which one of the following agencies assesses the default risk of different issuers?

Select correct option:

Insurance companies

Bond issuing

Credit rating

Recruitment agencies

In which of the following bonds we may ignore the default risk?

Select correct option:

Solved by Shifa

Privately issued bonds

Government issued bonds

Bonds issued by Corporate

All of the given options

Which of the following best describes default risk?

Select correct option:

The chance the issuer will be unable to make interest payments or repay principal

The chance the issuer will retire the debt early

The chance the issuing firm will be sold to another firm

The chance the issuer will sell more debt

Coupon bonds make the annual payments which are called as _____.

Select correct option:

Annual payments

Fixed payments

Coupon payments

Maturity payment

Solved by Shifa

Q 1: Investors will hold higher compensation for the _____ investment.

Select correct option:

More risky

Less risky

Fixed return

Less dividend

Q 2: Which of the following is true of a nation's central bank?

Select correct option:

It makes important decisions about the nation's tax and public spending policies

It lends only to the nations largest and most important business firms

It has many interactions with the nation's citizens and businesses

It is responsible for conducting the nation's monetary policy

Q 3: A financial instrument in which a borrower obtains resources from a lender immediately in exchange for a promised set of payments in the future is called as _____.

Select correct option:

Bond

Bank Loan

Home Mortgage

Futures Contract

Q 4: An increase in wealth shifts the demand for bonds to the _____.

Select correct option:

Left

Right

No change

All of the given options

Q 5: The slope of the yield curve seems to predict the performance of the economy with:

Solved by Shifa

Select correct option:

- Usually 3 months lag
- Usually two years lag
- Usually within few weeks
- Usually one year lag**

Q 6: If YTM equals the coupon rate the price of the bond is _____.

Select correct option:

- Greater than its face value
- Lower than its face value
- Equals to its face value**
- Insufficient information

Q 7: An increase in the expected inflation shifts the bond demand to the _____. Select correct option:

Right

- Left
- No change
- All of the given options

Q 8: Which of the following would be considered characteristic of money?

It is store of value

- It pays a higher return than most assets
- It is in fixed supply
- It is legal tender everywhere in the world

Q 9: The interest rate that is involved in _____ calculation is referred to as discount rate

Select correct option:

Present value

- Future value
- Intrinsic value
- Discount value

Solved by Shifa

Q 10: Debt instruments are categorized on the basis of which one of the following?

Select correct option:

Loan maturity period

Interest rates

Mode of payment of interest

Amount of the debt taken

Q 11: Which of the following is NOT an example of financial institutions?

Select correct option:

Banks

Securities firms

Stock exchanges

Insurance companies

Q 12: When stock prices reflect fundamental values:

All investors will experience capital gains

All companies will have an easier task of obtaining financing for investment projects

The allocation of resources will be more efficient

The overall level of the stock market should move higher continuously

Q 13: If YTM is greater than the coupon rate the price of the bond is _____ . Select correct option:

Greater than its face value

Lower than its face value

Equals to its face value

All of the given options

Q 14: A _____ is a promise to make a series of payments on specific future date.

Select correct option:

Solved by Shifa

Stock

Bond

Loan

Cheque

Q 15: Without the ability of financial intermediaries to pool the resources of small savers: Select correct option:

Borrowers needing large amounts of money would find it less costly to obtain the funds

The economy would likely grow faster

People would likely save more

The risk associated with lending would increase

Q 16: A bank can usually offer a saver a higher return for the same risk because: Select correct option:

The bank can usually purchase assets at a higher cost than any one saver

The bank can pool the resources of larger savers and purchase lower denominated assets NOT SURE

Economies of scale can be applied by the bank in its purchase of assets None of the given options

Q 17: The fact that a financial intermediary can use the same contract for many customers is an example of: Select correct option:

Economies of Scope

The Law of Diminishing Marginal Returns

The Law of Increasing Opportunity Cost

Economies of Scale

Q 18: _____ are organized to eliminate the need of costly information gathering. Select correct option:

Central bank

Commercial banks

Solved by Shifa

Stock exchanges

Insurance companies

Q 19: What will be the effect on the present value if we double the future value of the payment? Select correct option:

It will decrease the value by one-half

It will increase the value by one-half

It will equally increase the value i.e. doubles the value NOT SURE

It will have no effect on the value

Q 20: Which one of the following is the narrowest definition of money?
Select correct option:

C

M1

M2

M3

Question # 1 of 20 (Start time: 02:24:40 AM) Total Marks: 1

Core principles of Money and Banking include each of the following except?

Select correct option:

People act rationally

Time has value

Information is the basis for decisions

Risk requires compensation

Question # 2 of 20 (Start time: 02:25:14 AM)

Internal Rate of Return is _____.

Select correct option:

Solved by Shifa

Present value of investment

Future value of its investment + Cost of investment

Cost of investment

Present value of investment + cost of investment

Question # 3 of 20 (Start time: 02:26:35 AM) Total Marks: 1

The relationship between the price and the interest rate for a zero coupon bond is best described as:

Select correct option:

Volatile

Stable

Non-existent

Inverse (see page # 43 of handouts)

Question # 4 of 20 (Start time: 02:27:03 AM) Total Marks: 1

Which one of the following is the narrowest definition of money?

Select correct option:

C

M1 (see page # 12)

M2

Solved by Shifa

M3

Question # 5 of 20 (Start time: 02:27:13 AM) Total Marks: 1

Investors will hold higher compensation for the _____ investment.

Select correct option:

More risky

Less risky

Fixed return

Less dividend

Question # 6 of 20 (Start time: 02:27:47 AM) Total Marks: 1

What is the true relationship that exists between default risk and yield?

Select correct option:

Higher the default risk, higher the yield (see page # 53)

Lower the default risk, higher the yield

Higher the default risk yield will remain constant

Lower the default risk yield will remain constant

Question # 7 of 20 (Start time: 02:28:19 AM) Total Marks: 1

Without the ability of financial intermediaries to pool the resources of small savers:

Select correct option:

Borrowers needing large amounts of money would find it less costly to obtain the funds

Solved by Shifa

The economy would likely grow faster

People would likely save more

The risk associated with lending would increase

Question # 8 of 20 (Start time: 02:29:10 AM) Total Marks: 1

When a bond becomes more liquid relative to its alternatives, the demand curve for bonds shifts to the:

Select correct option:

Right (see page # 49)

Left

No change

None of the given options

Question # 9 of 20 (Start time: 02:29:40 AM) Total Marks: 1

In a financial market where information is symmetric:

Select correct option:

The same information would be known by both parties in a transaction

One party to a transaction knows information the other party does not

The ability to obtain information is available to only one party

All of the given options

Question # 10 of 20 (Start time: 02:30:07 AM) Total Marks: 1

The _____ are an assessment of the creditworthiness of the corporate issuer.

Select correct option:

Bond yield

Solved by Shifa

Bond ratings (see page # 54)

Bond risk

Bond price

Question # 11 of 20 (Start time: 02:30:25 AM) Total Marks: 1

An increase in the expected inflation shifts the bond demand to the _____.

Select correct option:

Right

Left

No change

All of the given options

Question # 12 of 20 (Start time: 02:31:19 AM) Total Marks: 1

Which of the following is NOT included in the definition of M1?

Select correct option:

Traveler's checks

Demand deposits

Currency

Gold coins issued by treasury (see page # 12)

Question # 13 of 20 (Start time: 02:32:21 AM) Total Marks: 1

Bonds without maturity dates are which of the followings?

Select correct option:

Solved by Shifa

Zero coupon bonds

Coupon securities

Consols

Preferred Bonds

Question # 14 of 20 (Start time: 02:33:14 AM) Total Marks: 1

Debt instruments is categorized on the basis of which one of the following?
Select correct option:

Loan maturity period (See page # 20)

Interest rates

Mode of payment of interest

Amount of the debt taken

Question # 15 of 20 (Start time: 02:33:37 AM) Total Marks: 1

Which of the following institution take direct deposit from customer and give loan to customer directly?

Select correct option:

Zarai Tarkaytee Bank LTD

Soneri Bank

Khushali Bank

Credit unions

(not sure, but i selected option # 4, kindly verify it)

Solved by Shifa

Question # 16 of 20 (Start time: 02:33:53 AM) Total Marks: 1

If we ignore risk, the dividend discount model says the fundamental price of a stock is simply:

Select correct option:

The current dividend divided by the interest rate less the dividend growth rate

The annual growth rate of the dividend minus the interest rate divided by the current dividend

The current dividend divided by the interest rate plus the dividend growth rate

The current dividend divided by the dividend growth rate less the interest rate

Question # 17 of 20 (Start time: 02:34:59 AM) Total Marks: 1

Which of the following is true of a nation's central bank?

Select correct option:

It makes important decisions about the nation's tax and public spending policies

It lends only to the nation's largest and most important business firms

It has many interactions with the nation's citizens and businesses

It is responsible for conducting the nation's monetary policy (see page # 96)

Question # 18 of 20 (Start time: 02:35:56 AM) Total Marks: 1

If bond's rating is lower, what will be its price?

Select correct option:

Solved by Shifa

Higher

Lower

Equal to

No change

(not 100% sure, but option # 2 "Lower" seems most appropriate)

Question # 19 of 20 (Start time: 02:36:57 AM) Total Marks: 1

The price of a coupon bond can best be described as:

Select correct option:

The present value of the face value

The future value of the coupon payments and the face value

The present value of the coupon payments

Both The present value of the face value and of the coupon payments (see page # 31 & 32)

Question # 20 of 20 (Start time: 02:37:36 AM) Total Marks: 1

Which one of the following is NOT true for the expectation hypothesis?

Select correct option:

Risk free interest rate can be computed

There is uncertainty in the future

Identifying yield of bond today that will be available next year

It focuses on risk free interest rate and the risk premium

Solved by Shifa

(not 100%, but I selected option # 2, see page # 58)

Question # 1 of 20 (Start time: 12:09:02 AM) Total Marks: 1

When a bond becomes more liquid relative to its alternatives, the demand curve for bonds shifts to the:

Select correct option:

Right (page # 49)

Left

No change

None of the given options

Question # 2 of 20 (Start time: 12:09:36 AM) Total Marks: 1

According to the rule of 72 for reasonable rates of return, the time it takes to _____ the money will be $t = 72/i\%$

Select correct option:

Doubles (page # 27)

Triples

halves

3/4

Question # 3 of 20 (Start time: 12:10:22 AM) Total Marks: 1

Which one of the following is the narrowest definition of money?

Select correct option:

Solved by Shifa

C

M1 (see page # 12)

M2

M3

Question # 4 of 20 (Start time: 12:11:17 AM) Total Marks: 1

An index number is a valuable tool because:

Select correct option:

The number by itself provides all of the useful information needed

The index provides a meaningful measurement scale to calculate percentage changes

The index is more stable than the data it reflects

It does not require any calculations to compute percentage changes

(not sure, but I selected option # 2, kindly verify it)

Question # 5 of 20 (Start time: 12:12:34 AM) Total Marks: 1

Yield curves show which of the followings?

Select correct option:

The relationship between bond interest rates (yields) and bond prices

The relationship between liquidity and bond interest rates (yields)

Solved by Shifa

The relationship between risk and bond interest rates (yields)

The relationship between time to maturity and bond interest rates (yields) (see page # 57)

Question # 6 of 20 (Start time: 12:12:55 AM) Total Marks: 1

A zero coupon bond:

Select correct option:

Does not pay any coupon payments because the issuer is in default

Pays coupons only once a year versus the usual twice a year

Promises a single future payment (see page # 42)

Pays coupons only if the bond price is below face value

Question # 7 of 20 (Start time: 12:13:32 AM) Total Marks: 1

Home loans and car loans are the example of which one of the following?

Select correct option:

Mortgage loans

Pledge

Fixed Payment Loans (see page # 43)

Ordinary loan

Question # 8 of 20 (Start time: 12:14:45 AM) Total Marks: 1

Without the ability of financial intermediaries to pool the resources of small savers:

Solved by Shifa

Select correct option:

Borrowers needing large amounts of money would find it less costly to obtain the funds

The economy would likely grow faster

People would likely save more

The risk associated with lending would increase

Question # 9 of 20 (Start time: 12:16:11 AM) Total Marks: 1

What is the true relationship that exists between default risk and yield?

Select correct option:

Higher the default risk, higher the yield (see page # 53)

Lower the default risk, higher the yield

Higher the default risk yield will remain constant

Lower the default risk yield will remain constant

Question # 10 of 20 (Start time: 12:17:28 AM) Total Marks: 1

Expectation hypothesis focuses on which one of the following?

Select correct option:

Risk premium

Risk free interest rate

Yield to maturity

Solved by Shifa

None of the given options

(Not sure, but I selected option# 2)

Question # 11 of 20 (Start time: 12:18:49 AM) Total Marks: 1

Spreading involves:

Select correct option:

Finding assets whose returns are perfectly negatively correlated

Building a portfolio of assets whose returns move together

Investing in bonds and avoiding stocks during bad times

Adding assets to a portfolio that move independently

(Confused b/w option # 1 & 4, read page # 41)

Question # 12 of 20 (Start time: 12:19:20 AM) Total Marks: 1

The _____ are an assessment of the creditworthiness of the corporate issuer.

Select correct option:

Bond yield

Bond ratings

Bond risk

Bond price

Solved by Shifa

Question # 13 of 20 (Start time: 12:19:36 AM) Total Marks: 1

Which one of the following is the procedure of finding out the Present Value (PV)?

Select correct option:

Discounting

Compounding

Time value of money

Bond pricing

Question # 14 of 20 (Start time: 12:20:00 AM) Total Marks: 1

Which of the following best describes the relationship between Bond prices and yields?

Select correct option:

Move together inversely

Bond yields do not change since the coupon is fixed

Move together directly

Are independent of each other

Question # 15 of 20 (Start time: 12:21:08 AM)

Which of the following institution take direct deposit from customer and give loan to customer directly?

Select correct option:

Zarai Tarkaytee Bank LTD

Solved by Shifa

Soneri Bank

Khushali Bank

Credit union

(I selected "Credit Union", not 100% sure)

Question # 16 of 20 (Start time: 12:22:32 AM) Total Marks: 1

When the auto manufacturing industry does poorly due to a recession this is an example of:

Select correct option:

Idiosyncratic risk

Systematic risk

Risk premium

Unique risk

(It should be "Systematic Risk", but again not 100% sure) see page # 39.

Question # 17 of 20 (Start time: 12:23:42 AM) Total Marks: 1

A bank can usually offer a saver a higher return for the same risk because:

Select correct option:

The bank can usually purchase assets at a higher cost than any one saver

The bank can pool the resources of larger savers and purchase lower denominated assets

Solved by Shifa

Economies of scale can be applied by the bank in its purchase of assets

None of the given options

Question # 18 of 20 (Start time: 12:24:51 AM) Total Marks: 1

In a financial market where information is symmetric:

Select correct option:

The same information would be known by both parties in a transaction

One party to a transaction knows information the other party does not

The ability to obtain information is available to only one party

All of the given options

Question # 19 of 20 (Start time: 12:25:29 AM) Total Marks: 1

The shape of the yield curve is usually:

Select correct option:

Upward sloping (page # 60)

Downward sloping

Upward sloping for shorter maturities and downward sloping for longer maturities

Flat

Question # 20 of 20 (Start time: 12:26:38 AM) Total Marks: 1

Which one of the following is true for financial intermediaries?

Solved by Shifa

Select correct option:

Channel funds from savers to borrowers

Greatly enhance economic efficiency

Have been an source of many financial innovations

All of the given options

Quiz Start Time: 01:24 PM Time Left: 66
sec(s)

Question # 1 of 15 (Start time: 01:24:19 PM) Total Marks: 1
Which of the following is NOT an example of financial institutions?
Select correct option:

Banks

Securities firms

Stock exchanges

Insurance companies

Solved by Shifa

Quiz Start Time: 01:24 PM Time Left 59
sec(s)

Question # 2 of 15 (Start time: 01:25:00 PM) Total Marks: 1
You receive a check for \$100 two years from today. The discounted present value of this \$100 is:
Select correct option:

$\$100/(1+i)$

$\$100*(1+i)^2$

$\$100*(1+i)$

$\$100/(1+i)^2$

Solved by Shifa

Quiz Start Time: 01:24 PM Time Left 75
sec(s)

Question # 3 of 15 (Start time: 01:25:51 PM) Total Marks: 1

Which one of the following is the procedure of finding out the Present Value (PV)?

Select correct option:

Discounting

Compounding

Time value of money

Bond pricing

Quiz Start Time: 01:24 PM Time Left 63
sec(s)

Question # 4 of 15 (Start time: 01:26:17 PM) Total Marks: 1

Which of the following represents the fisher's equation?

Select correct option:

Solved by Shifa

Nominal interest rate = real interest rate + inflation

Nominal interest rate + inflation = real interest rate

Nominal interest rate = real interest rate - inflation

Nominal interest rate = real interest rate / inflation

Quiz Start Time: 01:24 PM Time Left 54
sec(s)

Question # 5 of 15 (Start time: 01:26:55 PM) Total Marks: 1
Sum of all the probabilities should be equal to which one of the following?
Select correct option:

Zero

One

Two

Three

Solved by Shifa

Quiz Start Time: 01:24 PM Time Left 75
sec(s)

Question # 6 of 15 (Start time: 01:27:42 PM) Total Marks: 1
Coupon bonds make the annual payments which are called as _____.
Select correct option:

Annual payments

Fixed payments

Coupon payments

Maturity payment

Quiz Start Time: 01:24 PM Time Left 76

Solved by Shifa

sec(s)

Question # 7 of 15 (Start time: 01:28:08 PM) Total Marks: 1

A loan that is used to purchase the real estate is known as:

Select correct option:

Real estate loan

Home mortgages

Fixed payment loan

Home loan

Quiz Start Time: 01:24 PM Time Left 35

sec(s)

Question # 8 of 15 (Start time: 01:28:30 PM) Total Marks: 1

Time affects the value of which of the following?

Select correct option:

Solved by Shifa

Financial Instruments

Financial Markets

Financial Institutions

Central Banks

Quiz Start Time: 01:24 PM Time Left: 74
sec(s)

Question # 9 of 15 (Start time: 01:29:37 PM) Total Marks: 1

Which one of the following is the strategy of reducing overall risk by making two investments which are totally independent of each other?

Select correct option:

Spreading the risk

Standard deviation

Hedging the risk

Variance

Solved by Shifa

Quiz Start Time: 01:24 PM Time Left 28
sec(s)

Question # 10 of 15 (Start time: 01:30:09 PM) Total Marks: 1

Which is broadly used as money aggregate?

Select correct option:

M1

M2

M3

None of Above

Solved by Shifa

Quiz Start Time: 01:24 PM Time Left 47
sec(s)

Question # 11 of 15 (Start time: 01:31:25 PM) Total Marks: 1

Which characteristic are common both in money and securities

Select correct option:

Transfer of risk, store of value

Unit of account, mean of payment

Mean of payment, transfer of risk

Store of value, mean of payment

BC070401932 : SADAF TARIQ

Quiz Start Time: 01:24 PM Time Left 76
sec(s)

Question # 12 of 15 (Start time: 01:32:16 PM) Total Marks: 1

What is true about the relationship between standard deviation and risk?

Select correct option:

Solved by Shifa

Greater the standard deviation greater will be the risk

Greater the standard deviation lower will be the risk

Greater the standard deviation risk remains the same

No relation between them

Quiz Start Time: 01:24 PM Time Left 32
sec(s)

Question # 13 of 15 (Start time: 01:32:38 PM) Total Marks: 1
Which of the following would be considered characteristic of money?
Select correct option:

It is store of value

It pays a higher return than most assets

It is in fixed supply

It is legal tender everywhere in the world

Solved by Shifa

Quiz Start Time: 01:24 PM Time Left 10
sec(s)

Question # 14 of 15 (Start time: 01:33:44 PM) Total Marks: 1

If a bond sells at a premium, where price exceeds face value, then we would expect to see:

Select correct option:

Market interest rate the same as the coupon rate

Market interest rates above the coupon rate

Market interest rates below the coupon rate

All of the given options

Solved by Shifa

Quiz Start Time: 01:24 PM Time Left 75
sec(s)

Question # 15 of 15 (Start time: 01:35:09 PM) Total Marks: 1

Spreading involves:

Select correct option:

Finding assets whose returns are perfectly negatively correlated

Building a portfolio of assets whose returns move together

Investing in bonds and avoiding stocks during bad times

Adding assets to a portfolio that move independently

Solved by Shifa

Quiz Start Time: 01:38 PM Time Left 37
sec(s)

Question # 1 of 15 (Start time: 01:38:42 PM) Total Marks: 1

Which one of the following is true for financial intermediaries?

Select correct option:

Channel funds from savers to borrowers

Greatly enhance economic efficiency

Have been an source of many financial innovations

All of the given options

Quiz Start Time: 01:38 PM Time Left 15
sec(s)

Question # 2 of 15 (Start time: 01:39:43 PM) Total Marks: 1

Solved by Shifa

Investors will hold higher compensation for the _____ investment.

Select correct option:

More risky

Less risky

Fixed return

Less dividend

Quiz Start Time: 01:38 PM Time Left 74
sec(s)

Question # 3 of 15 (Start time: 01:41:01 PM) Total Marks: 1

Which of the following is the least liquid of all?

Select correct option:

Money

Bonds & stocks

Lands & buildings

Solved by Shifa

None of the given options

Quiz Start Time: 01:38 PM Time Left 32
sec(s)

Quiz Start Time: 01:38 PM Time Left 9
sec(s)

Question # 5 of 15 (Start time: 01:42:27 PM) Total Marks: 1

The price of a coupon bond can best be described as:

Select correct option:

The present value of the face value

The future value of the coupon payments and the face value

The present value of the coupon payments

Both The present value of the face value and of the coupon payments

Solved by Shifa

Quiz Start Time: 01:38 PM Time Left 22
sec(s)

Question # 7 of 15 (Start time: 01:44:53 PM) Total Marks: 1
The money aggregate M2 includes each of the following EXCEPT:
Select correct option:

Small denomination time deposits.

Retail Money Market Mutual fund shares

U.S. Treasury bills

M1

Quiz Start Time: 01:38 PM Time Left 48
sec(s)

Solved by Shifa

Question # 8 of 15 (Start time: 01:46:08 PM) Total Marks: 1

Mr A need 1000000 to buy a car for his personal use he contact with bank that give his loan this would be called

Select correct option:

Direct finance

Indirect finance

Facilitate payment

All of above

Quiz Start Time: 01:38 PM Time Left 55
sec(s)

Question # 9 of 15 (Start time: 01:46:59 PM) Total Marks: 1

What characteristic of money is not included in securities characteristics

Select correct option:

Mean of payment

Solved by Shifa

Unit of account

Store of value

Transfer of risk

Quiz Start Time: 01:38 PM Time Left 50
sec(s)

Question # 10 of 15 (Start time: 01:47:38 PM) Total Marks: 1

Consumer Price Index (CPI) measures the:

Select correct option:

Changes in the quantity

Changes in the prices

Changes in the cost

Changes in the profit

Solved by Shifa

Quiz Start Time: 01:38 PM Time Left 59
sec(s)

Question # 11 of 15 (Start time: 01:48:26 PM) Total Marks: 1
Which of the following best represent the true relationships between interest rates and bond prices?
Select correct option:

Move in the same direction

Move in opposite direction

Sometimes move in the same direction, some times in opposite direction

Have no relationship with each other (i.e. they are independent)

Quiz Start Time: 01:38 PM Time Left 41

Solved by Shifa

sec(s)

Question # 12 of 15 (Start time: 01:49:02 PM) Total Marks: 1

One of major disadvantage of fiat money is

Select correct option:

Only few resources are needed

It may be theft easily

Normally it is obsolete quickly

Pressure or corrupt government may print excessive money

Quiz Start Time: 01:38 PM Time Left 76

sec(s)

Question # 13 of 15 (Start time: 01:49:56 PM) Total Marks: 1

If YTM equals the coupon rate the price of the bond is _____.

Select correct option:

Solved by Shifa

Greater than its face value

Lower than its face value

Equals to its face value

Insufficient information

Quiz Start Time: 01:38 PM Time Left: 69
sec(s)

Question # 14 of 15 (Start time: 01:50:19 PM) Total Marks: 1
_____ is the value today of a payment that is promised to be made in
the future.

Select correct option:

Future value

Present value

Agreed value

None of the given options

Solved by Shifa

Quiz Start Time: 01:38 PM Time Left 38
sec(s)

Question # 15 of 15 (Start time: 01:51:24 PM) Total Marks: 1

Which of the variable measured in point of time?

Select correct option:

Flow variable

Stock variable

Both flow variable and stock variable

None of above

The risk premium for an investment:

Select correct option:

Increases with risk

Is a fixed amount added to the risk free return

Solved by Shifa

Is negative for U.S. Treasury Securities

Is negative for risk averse investors

Which of the following institution take direct deposit from customer and give loan to customer directly?

Select correct option:

Zarai Tarkaytee Bank LTD

Soneri Bank

Khushali Bank

Credit union

The interest rate that is involved in _____ calculation is referred to as discount rate

Select correct option:

Present value

Future value

Intrinsic value

Discount value

Solved by Shifa

The current yield on a \$10,000, 5% coupon bond selling for \$8,000 is:
Select correct option:

- 5.00%
- 6.25%
- 7.50%
- 8.00%

Which of the variable measured in point of time?
Select correct option:

- Flow variable
- Stock variable
- Both flow variable and stock variable
- None of above

Which of the following is NOT a depository financial institution?
Select correct option:

- Credit Union
- Savings and Loan
- Commercial bank
- Life Insurance Company

Solved by Shifa

When the auto manufacturing industry does poorly due to a recession this is an example of:

Select correct option:

- Idiosyncratic risk
- Systematic risk
- Risk premium
- Unique risk

At which money aggregate definitions relation is stronger with inflation and growth

Select correct option:

- M1
- M2
- M3
- None of above

Solved by Shifa

Which one of the following is the narrowest definition of money?

Select correct option:

- C
- M1
- M2
- M3

The relationship between the price and the interest rate for a zero coupon bond is best described as:

Select correct option:

- Volatile
- Stable
- Non-existent
- Inverse

Wider the range of outcome wider will be the _____.

Select correct option:

- Risk
- Profit
- Probability
- Lose

Solved by Shifa

Investors will hold higher compensation for the _____ investment.
Select correct option:

- More risky
- Less risky
- Fixed return
- Less dividend

A _____ is a promise to make a series of payments on specific future date.

Select correct option:

- Stock
- Bond
- Loan
- Cheque

Previously financial markets are located in which of the following?

Solved by Shifa

Select correct option:

- Coffee houses or Taverns
- Stock exchanges
- Bazaar
- Coffee houses and Stock exchanges

Diversification is the principle of:

Select correct option:

- Holding more than one risk at a time
- Reducing the risks we carry to just two
- Creating risk to increase returns
- Eliminating investments from our portfolio that have idiosyncratic risk

Which of the following is NOT a depository financial institution?

Select correct option:

- Credit Union
- Savings and Loan
- Commercial bank
- Life Insurance Company

Solved by Shifa

Which of the following best describes checks?

Select correct option:

A means of payment

Money

Not a promise of any kind

Not acceptable by the U.S. Government for payment of taxes.

Which of the following financial instruments used primarily as store of value?

Select correct option:

Options

Stocks

Home mortgage

Bonds

Time affects the value of which of the following?

Select correct option:

Financial Instruments

Solved by Shifa

Financial Markets
Financial Institutions
Central Banks

Which one of the following is the narrowest definition of money?
Select correct option:

- C
- M1
- M2
- M3

S

What is true about the relationship between standard deviation and risk?
Select correct option:

- Greater the standard deviation greater will be the risk
- Greater the standard deviation lower will be the risk
- Greater the standard deviation risk remains the same
- No relation between them

Solved by Shifa

The reason for the government to get involved in the financial system is to:
Select correct option:

- Protect investors
- Ensure the stability of the financial system
- Protect bank customers from monopolistic exploitation
- All of the given options

What will be the result of the difference of real and nominal interest rate?
Select correct option:

- The cost of borrowing
- The effect of inflation
- The price of bonds
- The return of bonds

Which of the following is the least liquid of all?
Select correct option:

- Money
- Bonds & stocks
- Lands & buildings
- None of the given options

Solved by Shifa

A brilliant example of risk require compensation

Select correct option:

- Taking a safe debt
- Insurance policy
- A person work in office
- None of above

According to the rule of 72 for reasonable rates of return, the time it takes to _____ the money will be $t = 72/i\%$

Select correct option:

- Doubles
- Triples
- halves
- 3/4

Debt instruments is categorized on the basis of which one of the following?

Select correct option:

- Loan maturity period
- Interest rates
- Mode of payment of interest

Solved by Shifa

Amount of the debt taken

Which of the following is the measure of likelihood that an event will occur?
Select correct option:

- Risk
- Probability
- Frequency
- Outcom

Which of the following would be included in a definition of risk?
Select correct option:

- Risk is a not measure of uncertainty
- Risk is unavoidable
- Risk doesn't have a time horizon
- Risk seldom involves some future payoff

Solved by Shifa

Which one of the following is a component of wealth that is held in a readily spendable form?

Select correct option:

- Money
- Bonds
- Stocks
- Income

The reason for the government to get involved in the financial system is to:

Select correct option:

Protect investors

Ensure the stability of the financial system

Protect bank customers from monopolistic exploitation

All of the given options

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What is difference between warrant and check?

Select correct option:

Check is cleared from bank but warrant is not cleared by bank

Check is not necessarily pay able on demand but warrant is payable on demand

Warrant is not necessarily pay able on demand but check is payable on demand

Solved by Shifa

None of above

Which of the following expresses 6.5%?
Select correct option:

0.0065

6.50

0.650

0.0650

Question # 4 of 15 (Start time: 12:12:24 PM) Total Marks: 1

Internal Rate of Return is _____.

Select correct option:

Present value of investment

Future value of its investment +Cost of investment

Solved by Shifa

Cost of investment

Present value of investment + cost of investment

You receive a check for \$100 two years from today. The discounted present value of this \$100 is:

Select correct option:

$\$100/(1+i)$

$\$100*(1+i)^2$

$\$100*(1+i)$

$\$100/(1+i)^2$

Question # 6 of 15 (Start time: 12:15:07 PM) Total Marks: 1

What will be the effect on the present value if we double the future value of the payment?

Select correct option:

It will decrease the value by one-half

It will increase the value by one-half

It will equally increase the value i.e. doubles the value

It will have no effect on the value

Solved by Shifa

The risk premium for an investment:
Select correct option:

Increases with risk

Is a fixed amount added to the risk free return

Is negative for U.S. Treasury Securities

Is negative for risk averse investors

Saving occurs normally in
Select correct option:

Early age

Middle age

Old age

None of above

The price of a coupon bond can best be described as:
Select correct option:

Solved by Shifa

The present value of the face value

The future value of the coupon payments and the face value

The present value of the coupon payments

Both The present value of the face value and of the coupon payments

Government bonds called Where as corporate bonds are called
Select correct option:

Zero coupon bond, coupon bond

Risky bond. Risk free bond

T bill, corporate bond

Console bond, junk bonds

Which of the following institution take direct deposit from customer and give loan to customer directly?
Select correct option:

Zarai Tarkaytee Bank LTD

Soneri Bank

Khushali Bank

Credit union

Solved by Shifa

Which is broadly used as money aggregate?

Select correct option:

M1

M2

M3

None of Above

Question # 13 of 15 (Start time: 12:47:15 PM) Total Marks: 1

With direct finance we mean which of the following?

Select correct option:

Individuals (or firms) borrow directly from the savers

Individuals (or firms) borrow directly from banks.

Individuals deposit savings directly in banks.

Firms deposit savings directly in banks

Taking deposits from savers in one country and providing them to investors in another country

Question # 14 of 15 (Start time: 12:48:35 PM) Total Marks: 1

The longer the time (n) until the payment:

Select correct option:

Solved by Shifa

The lower the present value

The higher the present value because time is valuable

The lower must be the interest rate

Time has no effect on present value

The Financial Systems makes it easier to trade because it:
Select correct option:

Facilitate Payments

Channels Funds from Savers to Borrowers

Enables Risk Sharing

All of the given options

The money aggregate M2 includes each of the following EXCEPT:
Select correct option:

Small denomination time deposits.

Retail Money Market Mutual fund shares

U.S. Treasury bills

Solved by Shifa

M1

Previously financial markets are located in which of the following?
Select correct option:

Coffee houses or Taverns

Stock exchanges

Bazaar

Coffee houses and Stock exchanges

----- example of channel fund from saver to borrower.
Select correct option:

Bank

Mutual fund

Finance companies

All of above

Solved by Shifa

A _____ is a promise to make a series of payments on specific future date.

Select correct option:

Stock

Bond

Loan

Cheque

A bond is a promise to make a series of payments on specific future date
The return on the bond is equal to which of the following?

Select correct option:

Coupon rate + rate of capital gains

Current yield + rate of capital gains

Coupon rate - rate of capital gains

Current yield - rate of capital gains

Coupon bonds make the annual payments which are called as _____.

Select correct option:

Annual payments

Solved by Shifa

Fixed payments

Coupon payments

Maturity payment

A financial instrument in which a borrower obtains resources from a lender immediately in exchange for a promised set of payments in the future is called as _____.

Select correct option:

Bond

Bank Loan

Home Mortgage

Futures Contract

Bonds without maturity dates are which of the followings?

Select correct option:

Zero coupon bonds

Coupon securities

Consols

Preferred Bonds

Solved by Shifa

We need _____ to carry out day to day transactions.
Select correct option:

Money

Bonds

Stocks

Loans

Home loans and car loans are the example of which one of the following?
Select correct option:

Mortgage loans

Pledge

Fixed Payment Loans

Ordinary loan

Home mortgages and car loans are examples of fixed payment loans pg 43

A risk-averse investor will:
Select correct option:

Always prefer an investment with a lower expected return

Solved by Shifa

Always prefer an investment with a certain return to one with the same expected return but any amount of uncertainty

Always require a certain return

Always focus exclusively on the expected return

The GDP deflator is calculated as _____.

Select correct option:

Nominal GDP/Real GDP *100

Real GDP/Nominal GDP

Nominal GDP – Real GDP

Real GDP – Nominal GDP

GDP Deflator = $(\text{Nominal GDP} / \text{Real GDP}) \times 100$

Spreading involves:

Select correct option:

Finding assets whose returns are perfectly negatively correlated

Building a portfolio of assets whose returns move together

Investing in bonds and avoiding stocks during bad times

Adding assets to a portfolio that move independently

Solved by Shifa

Which of the following represents the Fisher's equation?
Select correct option:

Nominal interest rate = real interest rate + inflation

Nominal interest rate + inflation = real interest rate

Nominal interest rate = real interest rate - inflation

Nominal interest rate = real interest rate / inflation

A zero coupon bond:
Select correct option:

Does not pay any coupon payments because the issuer is in default

Pays coupons only once a year versus the usual twice a year

Promises a single future payment

Pays coupons only if the bond price is below face value

Zero-coupon bonds

§ Promise a single future payment, such as a Treasury bill.

Debt instruments is categorized on the basis of which one of the following?
Select correct option:

Solved by Shifa

Loan maturity period

Interest rates

Mode of payment of interest

Amount of the debt taken

Which one of the following is the strategy of reducing overall risk by making two investments which are totally independent of each other?
Select correct option:

Spreading the risk

Standard deviation

Hedging the risk

Variance

Question # 6 of 15 (Start time: 01:10:07 PM) Total Marks: 1

Which of the following best expresses the proceeds a lender receives from a simple loan?

Select correct option:

$PV(1 + i)$

FV/i

$PV + i$

Solved by Shifa

PV/i

GDP deflator is called
Select correct option:

Retailer price index

Consumer price index

Producer price index

None of above

The GDP deflator, also called the implicit price deflator for GDP

The relationship between the price and the interest rate for a zero coupon bond is best described as:
Select correct option:

Volatile

Stable

Non-existent

Inverse

The value of a bond varies inversely with the interest rate used to discount the promised payments

Solved by Shifa

Which of the following best represent the true relationships between interest rates and bond prices?

Select correct option:

Move in the same direction

Move in opposite direction

Sometimes move in the same direction, some times in opposite direction

Have no relationship with each other (i.e. they are independent)

the price of a bond and the interest rate move in opposite directions

What is primary cause of inflation?

Select correct option:

Energy crises

Gold reserve shortage

Issue excessive currency

Rising cost of input

The primary cause of inflation is the issuance of too much money

Which of the following would be included in a definition of risk?

Select correct option:

Solved by Shifa

Risk is a not measure of uncertainty

Risk is unavoidable

Risk doesn't have a time horizon

Risk seldom involves some future payoff