

Qs_No	Question	Option1	Option2	Option3	Option4
1	The Payoffs for financial derivatives are linked to	Government Regulations Specifying allowable rates of return	the volatility of interest rates	Previously issued securities	Securities that will be issued in the future
2	Financial derivatives include	Stock	Futures	Bonds	Shares
3	Financial derivatives include	stock	Forward Contracts	Bonds	Both A and B
4	Which of the following is not a financial derivatives	Stock	Futures	Options	Forward Contract
5	By Hedging a portfolio, a bank manager	reduces interest rate risk	Increase reinvestment Risk	Increase exchange rate risk	Increase the probability of gains
6	which of the following is a reason to hedge a portfolio	to increase the probability of gains	to limit exposure to risk	to profit from capital gains when interest rates falls	non-profit
7	hedging risk for a long position is accomplished by	taking a short position	taking additional long and short positions in equal amounts	taking another long position	taking neutral position
8	hedging risk for short position is accomplished by	taking a long position	taking another short position	taking additional long short positions in equal amounts	taking neutral position
9	A contract that requires the investor to buy securities on a future date is called a	long contract	short contract	hedge	cross
10	A long contract requires that the investor	sell securities in the future	buy securities in the future	hedge in the future	close out his position in the future

11	A person who agrees to buy an asset at a future date has gone	long	Short	back	ahead
12	A short contract requires that the investor	sell securities in the future	buy securities in the future	hedge in the future	close out his position in the future
13	A contract that requires the investor to sell securities on a future date is called a	Short contract	long contract	hedge	micro hedge
14	If a bank manager chooses to hedge his portfolio of treasury securities by selling futures contracts,he	give ups the opportunity for gains	Both A and B	increase the probablity of a gain	removes the chance of loss
15	To say that the forward market lacks liquidity means that	it may be difficult to remake the transaction	forward contracts usually result in losses	forward contracts cannot be turned into cash	forward contracts cannot be sold for cash
16	Consider a European Call option for 100 shares of IBM corporation, whose strike price is \$170 per share and which matures 18 months from now, what does this option entitle you to do	At the maturity date, that is 18 Months from now, you have the right, but not the obligation to purchase 100 shares of IBM Corporation for \$170 per share.	At the maturity date, that is 18 Months from now, you have the right, but not the obligation to sell 100 shares of IBM Corporation for \$170 per share.	Between Now and 18 months from now,you are entitled to make a phone call to the European headquarters of IBM Corporation to inquire about the value of 100 shares of IBM	Between Now and 18 months from now,you have the right but not the obligation to purchase 100 shares of IBM Corporation to inquire about the value of 100 shares of IBM
17	Professor Shiller Outlines two purposes of Option contracts. What are these two purposes?	Both A and C	Options do not satisfy any useful purpose for society, they are rather	Options increase the salience of the underlying for the option	Options contribute to the price discovery process for their underlying
18	the same underlying asset. Both options have the same strike price and the same maturity date. What does the put-call parity imply about the price of these two options?	Both A and c	of the underlying asset, both options must have exactly the same price	the price of the call minus the price of put equals the current price	price of the call minus the price of the put equals the price of the
19	now, the stock is worth either \$45 or \$15. Assume that the risk -free rate between today and a year from now is 10% annually. Consider a European call option written on one share of this company, which has	\$6	\$11	\$5	\$0

20	Ask Quote is for	seller	buyer	hedger	speculator
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1	The main characteristics of Investment are ____	Risk	Returns	Safety	All
2	_____ involves higher level of risk.	Investment	Speculation	Arbitrage	Hedging
3	_____ of the return is the positive square root of the variance.	Mean	Co-efficient of variation	Standard Deviation	Variance
4	_____ refers to combined holding of multiple securities.	Portfolio	Variety of assets	Objectives of investor	None
5	Most investors are _____ averse.	Low	Risk	High	None
6	An investor who is not concerned with the level of risk involved in an investment is known as risk _____ investor.	Equal	Indifferent	Different	All
7	T-bills are issued by _____.	SEBI	SBI	RBI	Stock Exchanges
8	Depositing money in Fixed deposits is an example of _____ investment.	Financial	Economic	Group	All
9	Construction of extra floors to factory building is an example of _____ investment.	Financial	Economic	Group	None
10	A well planned activity of committing funds with the aim of achieving returns is referred to as _____.	Speculation	Investment	Gambling	Hedging

11	An activity involving high risk taken to achieve high capital gains in short duration is known as _____.	Speculation	Investment	Gambling	Hedging
12	An activity involving high risk without expecting high returns is known as _____.	Speculation	Investment	Gambling	Hedging
13	Sources of systematic risk are _____.	Market risk	Interest rate risk	Purchasing power risk	All
14	Risk is a situation where possible outcomes are _____.	Highly certain	Certain	Uncertain	Normal
15	Holding period returns converted into 12 months period are known as _____ returns.	Holding period	Expected	Annualised	Semi-Annualised
16	Total of probability of various outcomes is always equal to _____.	2	1	0	Between 0-0.9
17	_____ returns are the total returns earned by an investor during the time period for which the investment is held.	Holding period	Annualised	Expected	Future
18	A risk that affects the whole economic system is known as _____ risk.	Automatic	Systematic	Authentic	Unsystematic
19	Risk is a situation where possible outcomes are _____.	Risk-Return	Sales-Return	Profit	Loss
20	Internal business risk is a source of _____ risk.	Systematic	Unsystematic	Automatic	Authentic

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