

**MGT411 - Money & Banking**

Quiz # 03

Mega File

Solved by Muhammad Afaaq

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Start Date Jun 16, 2011 12:00 AM

End Date Jun 20, 2011 11:59 PM

Marks 15

Asslam O Alikum

**MGT411 - Money & Banking**

Quiz # 03

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Start Date Jun 16, 2011 12:00 AM

End Date Jun 20, 2011 11:59 PM

Marks 15

Remember Me in Your Prayers

Best regard's

Muhammad Afaaq

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If u like me than raise your hand with me  
If not then raise ur standard  
That's about me ... !

Question # 1 of 15 ( Start time: 05:29:55 PM ) Total Marks: 1

You are a bank customer and bank allowed you maximum loan facility up to Rs. 300,000. It would be called -----

Select correct option:

- Loan recovery
- Loan extension
- Line of credit**
- None of above

Question # 2 of 15 ( Start time: 05:31:13 PM ) Total Marks: 1

Which of the following is a role of a financial institution acting as a financial intermediary?

Select correct option:

- Pooling the resources of small savers**
- Formulating oversight regulations
- Sending out free calendars at the holidays
- Lobbying legislators

Question # 3 of 15 ( Start time: 05:31:55 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 # 4 of 15 ( Start time: 05:32:39 PM ) Total Marks: 1

Which of the following is NOT included in the assets of commercial banks?

Select correct option:

Cash Items

Reserves

Securities

Bills payable

Question # 5 of 15 ( Start time: 05:33:35 PM ) Total Marks: 1

A graph of the term structure with YTM on Y-axis and time to maturity on X-axis is called:

Select correct option:

Demand curve

Supply curve

Yield curve

Laffer curve

Question # 6 of 15 ( Start time: 05:34:02 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 # 7 of 15 ( Start time: 05:34:32 PM ) Total Marks: 1

Banking is risky because \_\_\_\_\_.

Select correct option:

Depository institutions are highly leveraged

Banks do in all the lines of banking trades

Banks pay less for the deposits

All of the given options

Question # 8 of 15 ( Start time: 05:35:19 PM ) Total Marks: 1

Which factor is considered as key factor to understanding the direction of yield curve?

Select correct option:

Return

Risk

Maturity

All of above

Question # 9 of 15 ( Start time: 05:36:48 PM ) Total Marks: 1

A coupon zero bond having face value 900 \$ with maturity life of 03 year and investor required interest rate is 08 % what will be the PV of bond?

Select correct option:

833.33 \$

714.45 \$

828 \$

None of above

Question # 10 of 15 ( Start time: 05:37:53 PM ) Total Marks: 1

The broad class of securities firms includes which of the following?

Select correct option:

Brokerages

Investment banks

Mutual fund companies

All of the given options

Question # 11 of 15 ( Start time: 05:38:26 PM ) Total Marks: 1

Which of the following is NOT a true for banks?

Select correct option:

Serving consumers

Give commercial and industrial loans

Bank is non profit organization

Accept deposit

Question # 12 of 15 ( Start time: 05:39:08 PM ) Total Marks: 1

\_\_\_\_\_ are organized to eliminate the need of costly information gathering.

Select correct option:

Central bank

Commercial banks

Stock exchanges

Insurance companies

Question # 13 of 15 ( Start time: 05:39:35 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 # 14 of 15 ( Start time: 05:39:57 PM ) Total Marks: 1

\_\_\_\_\_ is the interest rate at which the present value of the revenue stream equals to the cost of the investment.

Select correct option:

Fixed rate of interest  
Variable rate of interest  
**Internal rate of return**  
Nominal rate of interest

Question # 15 of 15 ( Start time: 05:41:28 PM ) Total Marks: 1

We need \_\_\_\_\_ to carry out day to day transactions.

Select correct option:

**Money**

Bonds

Stocks

Loans

Question # 1 of 15 ( Start time: 05:49:53 PM ) Total Marks: 1

Which one of these not the role of financial intermediaries?

Select correct option:

Diversification of risk

**Reduction of information and transaction cost**

Gathering the small saving

None of above

Question # 2 of 15 ( Start time: 05:51:15 PM ) Total Marks: 1

Which of the following is the main limitation of hedging strategy?

Select correct option:

Return always moves in same direction

Investments don't always move predictably in opposite directions

**Investments are volatile**

Diversification is not possible

Question # 3 of 15 ( Start time: 05:52:16 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 # 4 of 15 ( Start time: 05:52:40 PM ) Total Marks: 1  
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

Question # 5 of 15 ( Start time: 05:53:05 PM ) Total Marks: 1  
Behavior of investors can be classified into following types  
Select correct option:

- Risk-averse, risk neutral and risk lover
- Risk aversion and risk lover
- Risk premium and risk aversion
- Value at risk, risk neutral and risk lover

Question # 6 of 15 ( Start time: 05:54:36 PM ) 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 # 7 of 15 ( Start time: 05:55:07 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 # 8 of 15 ( Start time: 05:55:32 PM ) Total Marks: 1

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

Select correct option:

C

M1

M2

M3

Question # 9 of 15 ( Start time: 05:56:11 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 # 10 of 15 ( Start time: 05:56:39 PM ) Total Marks: 1



If shares of Pakistan State Oil Ltd are held by a financial institution for the purpose of selling in the short term, these will come under the head of  
Select correct option:

**Liabilities**

Assets

Income

Contingent liabilities

Question # 11 of 15 ( Start time: 05:57:55 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 # 12 of 15 ( Start time: 05:58:17 PM ) Total Marks: 1

If YTM is less 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

Question # 13 of 15 ( Start time: 05:58:43 PM ) Total Marks: 1

On the event of purchase of Rs. one billion T-bill by the central bank, the net effect of balance sheet of central bank will be?

Select correct option:

**Its assets and liabilities increase by Rs. 1 billion**

Net effect there is zero

A & B both possible

No effect on monetary base

Question # 14 of 15 ( Start time: 06:00:00 PM ) Total Marks: 1

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

\$1000

\$1100

Question # 15 of 15 ( Start time: 06:00:54 PM ) Total Marks: 1

Fiat money is accepted as payment for goods and services or in settlement of debts because

Select correct option:

**It is issued by government decree**

Fiat money is durable

Government can issue notes as per requirements

Fiat money requires a "double coincidence of wants"

Fiat money is accepted as payment for goods and services or in settlement of debts because

Select correct option:

**It is issued by government decree**

Fiat money is durable

Government can issue notes as per requirements

Fiat money requires a "double coincidence of wants"

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

Select correct option:

$\$100/(1+i)$

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

$\$100*(1+i)$

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

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

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

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

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

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

----- are normally considered tax exempt bonds.

Select correct option:

- Corporate bonds
- Government bonds
- Privately issued bonds
- None of above

The risk of "insolvency" is basically the risk of:

Select correct option:

- Borrowers not paying off lenders in a timely fashion
- Machinery breakdowns
- Not being able to find a buyer for an asset
- Asset value falling below liability value

\_\_\_\_\_ include savings and time deposits and account for nearly two-thirds of all commercial bank liabilities.

Select correct option:

- Non transactions Deposits
- Borrowings
- Checkable Deposits
- Discount loans

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

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

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

Saving occurs normally in .....

Select correct option:

Early age

Middle age

Old age

None of above

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

\$1000

\$1100

Question # 1 of 15 ( Start time: 07:57:49 PM ) Total Marks: 1

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 # 2 of 15 ( Start time: 07:58:31 PM ) Total Marks: 1

Which of the following NOT true for financial institutions?  
Select correct option:

- It reduces the transaction cost
- It reduce the information cost
- It reduces the asymmetric information
- It doesn't make long term loans

Question # 3 of 15 ( Start time: 07:59:12 PM ) 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
- Pays coupons only if the bond price is below face value

Question # 4 of 15 ( Start time: 08:00:41 PM ) Total Marks: 1

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

Question # 5 of 15 ( Start time: 08:02:10 PM ) 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%

Question # 6 of 15 ( Start time: 08:03:28 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 # 7 of 15 ( Start time: 08:04:49 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 # 8 of 15 ( Start time: 08:05:29 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 # 9 of 15 ( Start time: 08:06:31 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 # 10 of 15 ( Start time: 08:07:16 PM ) 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 # 11 of 15 ( Start time: 08:07:59 PM ) Total Marks: 1

Saving occurs normally in .....

Select correct option:

Early age

Middle age

Old age

None of above

Quiz Start Time: 07:57 PM Time Left 88

sec(s)

Question # 12 of 15 ( Start time: 08:08:41 PM ) Total Marks: 1

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

Question # 13 of 15 ( Start time: 08:10:08 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 # 14 of 15 ( Start time: 08:10:42 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 # 15 of 15 ( Start time: 08:12:02 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 # 1 of 15 ( Start time: 08:13:44 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 # 2 of 15 ( Start time: 08:14:40 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 # 3 of 15 ( Start time: 08:15:20 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

Question # 4 of 15 ( Start time: 08:16:32 PM ) Total Marks: 1

Most of the people among us are \_\_\_\_\_.

Select correct option:

Risk lovers

Risk enhancers

Risk averse

Risk tolerating

Question # 8 of 15 ( Start time: 08:19:59 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

Question # 9 of 15 ( Start time: 08:20:47 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

Futures Contract

Question # 10 of 15 ( Start time: 08:22:21 PM ) Total Marks: 1

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

Question # 1 of 15 ( Start time: 08:51:27 PM ) 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 # 2 of 15 ( Start time: 08:51:59 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

Question # 3 of 15 ( Start time: 08:52:36 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

Question # 4 of 15 ( Start time: 08:53:15 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 # 5 of 15 ( Start time: 08:53:46 PM ) Total Marks: 1

Which of the following is NOT a depository financial institution?

Select correct option:

Credit Union

Savings and Loan

Commercial bank

Life Insurance Company

Question # 6 of 15 ( Start time: 08:54:16 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

Question # 7 of 15 ( Start time: 08:54:49 PM ) Total Marks: 1

Financial instruments are evolved just as \_\_\_\_\_.

Select correct option:

Currency

Stock

Bond

Commodity

Question # 8 of 15 ( Start time: 08:55:23 PM ) Total Marks: 1

We need \_\_\_\_\_ to carry out day to day transactions.

Select correct option:

Money

Bonds

Stocks

Loans

Question # 1 of 15 ( Start time: 05:25:23 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 # 2 of 15 ( Start time: 05:25:55 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 # 3 of 15 ( Start time: 05:26:40 AM ) Total Marks: 1  
Current accounts of commercial bank lies in which money aggregate definition?

Select correct option:

Currency

**M1**

M2

M3

Question # 4 of 15 ( Start time: 05:27:27 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 # 5 of 15 ( Start time: 05:28:11 AM ) Total Marks: 1

GDP deflator is called

Select correct option:

Retailer price index

Consumer price index

Producer price index

**None of above**

Question # 6 of 15 ( Start time: 05:28:34 AM ) 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 # 7 of 15 ( Start time: 05:28:59 AM ) Total Marks: 1

Financial instruments are evolved just as \_\_\_\_\_.

Select correct option:

Currency

Stock

Bond

Commodity

Question # 8 of 15 ( Start time: 05:29:54 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

Question # 9 of 15 ( Start time: 05:30:23 AM ) Total Marks: 1

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 # 10 of 15 ( Start time: 05:30:54 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

Triples

halves



3/4

Question # 11 of 15 ( Start time: 05:31:14 AM ) 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 # 12 of 15 ( Start time: 05:31:32 AM ) Total Marks: 1  
Financial development measured by  
Select correct option:

M1/GDP

M2/GDP

M3/DGP

All of above

Question # 13 of 15 ( Start time: 05:32:02 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

Pays coupons only if the bond price is below face value

Question # 14 of 15 ( Start time: 05:32:30 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

Question # 15 of 15 ( Start time: 05:33:32 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 union

Question # 1 of 15 ( Start time: 05:36:19 AM ) Total Marks: 1

Financial instruments are evolved just as \_\_\_\_\_.

Select correct option:

Currency

Stock

Bond

Commodity

Question # 2 of 15 ( Start time: 05:36:39 AM ) Total Marks: 1

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

Select correct option:

Stock

Bond

Loan

Cheque

Question # 3 of 15 ( Start time: 05:37:03 AM ) Total Marks: 1

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

Select correct option:

Higher

Lower

Equal to

No change

Question # 4 of 15 ( Start time: 05:37:31 AM ) 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 # 5 of 15 ( Start time: 05:37:50 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 # 6 of 15 ( Start time: 05:38:02 AM ) 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 # 7 of 15 ( Start time: 05:38:34 AM ) Total Marks: 1

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 of 15 ( Start time: 05:38:52 AM ) Total Marks: 1

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

Question # 9 of 15 ( Start time: 05:39:27 AM ) 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 # 10 of 15 ( Start time: 05:39:44 AM ) 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

Question # 11 of 15 ( Start time: 05:40:12 AM ) 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 # 12 of 15 ( Start time: 05:40:43 AM ) Total Marks: 1  
Which one of the following is the narrowest definition of money?  
Select correct option:

- C
- M1**
- M2
- M3

Question # 13 of 15 ( Start time: 05:41:54 AM ) Total Marks: 1  
Which is broadly used as money aggregate?  
Select correct option:

- M1
- M2**
- M3
- None of Above

Question # 14 of 15 ( Start time: 05:42:23 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**
- Lower the default risk, higher the yield
- Higher the default risk yield will remain constant
- Lower the default risk yield will remain constant

Question # 15 of 15 ( Start time: 05:42:49 AM ) Total Marks: 1  
If YTM is less 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

Question # 1 of 15 ( Start time: 05:54:15 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
- Ordinary loan

Question # 2 of 15 ( Start time: 05:54:49 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
- Lower the default risk, higher the yield
- Higher the default risk yield will remain constant
- Lower the default risk yield will remain constant

Question # 3 of 15 ( Start time: 05:56:09 AM ) Total Marks: 1  
Bonds without maturity dates are which of the followings?  
Select correct option:

- Zero coupon bonds
- Coupon securities
- Consols
- Preferred Bonds

Question # 4 of 15 ( Start time: 05:56:45 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 # 5 of 15 ( Start time: 05:57:31 AM ) 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 # 6 of 15 ( Start time: 05:57:45 AM ) 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 # 7 of 15 ( Start time: 05:58:24 AM ) 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

Question # 8 of 15 ( Start time: 05:59:02 AM ) Total Marks: 1  
Which of the following is NOT a depository financial institution?  
Select correct option:

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

Question # 9 of 15 ( Start time: 05:59:39 AM ) 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%

Question # 10 of 15 ( Start time: 06:00:23 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

Question # 11 of 15 ( Start time: 06:00:38 AM ) Total Marks: 1

Which is broadly used as money aggregate?

Select correct option:

M1

M2

M3

None of above

Question # 12 of 15 ( Start time: 06:00:58 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 # 13 of 15 ( Start time: 06:01:27 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

Question # 14 of 15 ( Start time: 06:01:57 AM ) 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

Question # 15 of 15 ( Start time: 06:02:09 AM ) 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 # 1 of 15 ( Start time: 06:03:35 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 # 2 of 15 ( Start time: 06:04:23 AM ) 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

Question # 3 of 15 ( Start time: 06:05:13 AM ) 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 # 4 of 15 ( Start time: 06:05:30 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 # 5 of 15 ( Start time: 06:06:37 AM ) Total Marks: 1  
Which one of the following is the narrowest definition of money?  
Select correct option:

- C
- M1
- M2
- M3

Question # 6 of 15 ( Start time: 06:07:20 AM ) 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 # 7 of 15 ( Start time: 06:07:47 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 # 8 of 15 ( Start time: 06:08:38 AM ) Total Marks: 1

An increase in wealth shifts the demand for bonds to the \_\_\_\_\_.

Select correct option:

Left

**Right**

No change

All of the given options

Question # 9 of 15 ( Start time: 06:09:00 AM ) Total Marks: 1

Which of the following expresses 6.5%?

Select correct option:

0.0065

6.50

0.650

**0.0650**

Question # 10 of 15 ( Start time: 06:09:19 AM ) Total Marks: 1

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 # 11 of 15 ( Start time: 06:09:34 AM ) 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 # 12 of 15 ( Start time: 06:09:52 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 # 13 of 15 ( Start time: 06:10:17 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

Question # 14 of 15 ( Start time: 06:10:49 AM ) 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 between them

Question # 15 of 15 ( Start time: 06:11:20 AM ) 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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Question # 1 of 15 ( Start time: 06:13:57 AM ) Total Marks: 1

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

Select correct option:

BBB

ABB

Baa

Aaa

Question # 2 of 15 ( Start time: 06:14:23 AM ) 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 # 3 of 15 ( Start time: 06:14:44 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 # 4 of 15 ( Start time: 06:15:14 AM ) 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 # 5 of 15 ( Start time: 06:15:43 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

Question # 6 of 15 ( Start time: 06:16:12 AM ) 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 15 ( Start time: 06:17:04 AM ) Total Marks: 1

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

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

Question # 9 of 15 ( Start time: 06:17:32 AM ) Total Marks: 1  
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

Question # 10 of 15 ( Start time: 06:18:17 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 # 11 of 15 ( Start time: 06:18:48 AM ) Total Marks: 1  
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

Question # 12 of 15 ( Start time: 06:19:29 AM ) 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 # 13 of 15 ( Start time: 06:20:10 AM ) Total Marks: 1

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

Question # 14 of 15 ( Start time: 06:20:57 AM ) 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 # 15 of 15 ( Start time: 06:21:20 AM ) 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 # 1 of 15 ( Start time: 06:25:11 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 # 2 of 15 ( Start time: 06:25:27 AM ) Total Marks: 1

Financial instruments are evolved just as \_\_\_\_\_.

Select correct option:

**Currency**

Stock

Bond

Commodity

Question # 3 of 15 ( Start time: 06:25:40 AM ) Total Marks: 1

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 # 4 of 15 ( Start time: 06:26:00 AM ) 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 # 5 of 15 ( Start time: 06:26:22 AM ) 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 # 6 of 15 ( Start time: 06:26:51 AM ) Total Marks: 1  
Most of the people among us are \_\_\_\_\_.  
Select correct option:

- Risk lovers
- Risk enhancers
- Risk averse
- Risk tolerating

Question # 7 of 15 ( Start time: 06:27:22 AM ) 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 # 8 of 15 ( Start time: 06:27:33 AM ) Total Marks: 1  
Which of the following expresses 6.5%?  
Select correct option:

- 0.0065
- 6.50
- 0.650
- 0.0650

Question # 9 of 15 ( Start time: 06:27:48 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**

Triples

halves

3/4

Question # 10 of 15 ( Start time: 06:28:00 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 # 11 of 15 ( Start time: 06:28:20 AM ) Total Marks: 1

An increase in wealth shifts the demand for bonds to the \_\_\_\_\_.

Select correct option:

Left

**Right**

No change

All of the given options

Question # 12 of 15 ( Start time: 06:28:55 AM ) Total Marks: 1

A business cycle downturn shifts the bond supply to the:

Select correct option:

Right

**Left**

No change

None of the given options

Question # 13 of 15 ( Start time: 06:29:17 AM ) Total Marks: 1

Stock exchange is an example of:

Select correct option:

- Financial company
- Financial institution
- Financial market
- Bank

Question # 14 of 15 ( Start time: 06:29:44 AM ) Total Marks: 1

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

Question # 15 of 15 ( Start time: 06:30:28 AM ) Total Marks: 1

Saving occurs normally in .....

Select correct option:

Early age

Middle age

Old age

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Question # 1 of 15 ( Start time: 09:09:04 PM ) 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 # 2 of 15 ( Start time: 09:09:26 PM ) 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 union

Question # 3 of 15 ( Start time: 09:09:42 PM ) Total Marks: 1

\_\_\_\_\_ are organized to eliminate the need of costly information gathering.

Select correct option:

Central bank

Commercial banks

Stock exchanges

Insurance companies

Question # 4 of 15 ( Start time: 09:09:51 PM ) 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 # 5 of 15 ( Start time: 09:09:57 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: 09:10:13 PM ) Total Marks: 1  
Which of the following is NOT a depository financial institution?  
Select correct option:

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

Question # 7 of 15 ( Start time: 09:10:21 PM ) Total Marks: 1  
Economic development measured by  
Select correct option:

- Real GDP/population
- Real GDP/ nominal GDP
- Real GDP/Real GNP
- None of above

Question # 8 of 15 ( Start time: 09:10:46 PM ) 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 # 9 of 15 ( Start time: 09:10:52 PM ) 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 # 10 of 15 ( Start time: 09:11:07 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

Question # 11 of 15 ( Start time: 09:11:13 PM ) Total Marks: 1

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

Select correct option:

C

M1

M2

M3

Question # 12 of 15 ( Start time: 09:11:37 PM ) 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: 09:11:58 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 # 14 of 15 ( Start time: 09:12:05 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 # 15 of 15 ( Start time: 09:12:23 PM ) Total Marks: 1

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

Select correct option:

$PV(1 + i)$

$FV/i$

$PV + i$

$PV/i$

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Question # 1 of 15 ( Start time: 05:25:23 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 # 2 of 15 ( Start time: 05:25:55 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 # 3 of 15 ( Start time: 05:26:40 AM ) Total Marks: 1  
Current accounts of commercial bank lies in which money aggregate definition?

Select correct option:

Currency

**M1**

M2

M3

Question # 4 of 15 ( Start time: 05:27:27 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 # 5 of 15 ( Start time: 05:28:11 AM ) Total Marks: 1

GDP deflator is called

Select correct option:

Retailer price index

Consumer price index

Producer price index

**None of above**

Question # 6 of 15 ( Start time: 05:28:34 AM ) 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 # 7 of 15 ( Start time: 05:28:59 AM ) Total Marks: 1

Financial instruments are evolved just as \_\_\_\_\_.

Select correct option:

Currency

Stock

Bond

Commodity

Question # 8 of 15 ( Start time: 05:29:54 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

Question # 9 of 15 ( Start time: 05:30:23 AM ) Total Marks: 1

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 # 10 of 15 ( Start time: 05:30:54 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

Triples

halves

3/4

Question # 11 of 15 ( Start time: 05:31:14 AM ) 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 # 12 of 15 ( Start time: 05:31:32 AM ) Total Marks: 1  
Financial development measured by  
Select correct option:

M1/GDP

M2/GDP

M3/DGP

All of above

Question # 13 of 15 ( Start time: 05:32:02 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

Pays coupons only if the bond price is below face value

Question # 14 of 15 ( Start time: 05:32:30 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

Question # 15 of 15 ( Start time: 05:33:32 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 union

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Question # 1 of 15 ( Start time: 05:36:19 AM ) Total Marks: 1

Financial instruments are evolved just as \_\_\_\_\_.

Select correct option:

Currency

Stock

Bond

Commodity

Question # 2 of 15 ( Start time: 05:36:39 AM ) Total Marks: 1

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

Select correct option:

Stock

Bond

Loan

Cheque

Question # 3 of 15 ( Start time: 05:37:03 AM ) Total Marks: 1

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

Select correct option:

Higher

Lower

Equal to

No change

Question # 4 of 15 ( Start time: 05:37:31 AM ) 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 # 5 of 15 ( Start time: 05:37:50 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 # 6 of 15 ( Start time: 05:38:02 AM ) 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 # 7 of 15 ( Start time: 05:38:34 AM ) Total Marks: 1

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 of 15 ( Start time: 05:38:52 AM ) Total Marks: 1

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

Question # 9 of 15 ( Start time: 05:39:27 AM ) 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 # 10 of 15 ( Start time: 05:39:44 AM ) 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

Question # 11 of 15 ( Start time: 05:40:12 AM ) 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 # 12 of 15 ( Start time: 05:40:43 AM ) Total Marks: 1  
Which one of the following is the narrowest definition of money?  
Select correct option:

- C
- M1**
- M2
- M3

Question # 13 of 15 ( Start time: 05:41:54 AM ) Total Marks: 1  
Which is broadly used as money aggregate?  
Select correct option:

- M1
- M2**
- M3
- None of Above

Question # 14 of 15 ( Start time: 05:42:23 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**
- Lower the default risk, higher the yield
- Higher the default risk yield will remain constant
- Lower the default risk yield will remain constant

Question # 15 of 15 ( Start time: 05:42:49 AM ) Total Marks: 1  
If YTM is less 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

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Question # 1 of 15 ( Start time: 05:54:15 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

Ordinary loan

Question # 2 of 15 ( Start time: 05:54:49 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

Lower the default risk, higher the yield

Higher the default risk yield will remain constant

Lower the default risk yield will remain constant

Question # 3 of 15 ( Start time: 05:56:09 AM ) Total Marks: 1

Bonds without maturity dates are which of the followings?

Select correct option:

Zero coupon bonds

Coupon securities

Consols

Preferred Bonds

Question # 4 of 15 ( Start time: 05:56:45 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 # 5 of 15 ( Start time: 05:57:31 AM ) 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 # 6 of 15 ( Start time: 05:57:45 AM ) 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 # 7 of 15 ( Start time: 05:58:24 AM ) 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

Question # 8 of 15 ( Start time: 05:59:02 AM ) Total Marks: 1  
Which of the following is NOT a depository financial institution?  
Select correct option:

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

Question # 9 of 15 ( Start time: 05:59:39 AM ) 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%

Question # 10 of 15 ( Start time: 06:00:23 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

Question # 11 of 15 ( Start time: 06:00:38 AM ) Total Marks: 1

Which is broadly used as money aggregate?

Select correct option:

- M1
- M2
- M3
- None of above

Question # 12 of 15 ( Start time: 06:00:58 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 # 13 of 15 ( Start time: 06:01:27 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

Question # 14 of 15 ( Start time: 06:01:57 AM ) 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

Question # 15 of 15 ( Start time: 06:02:09 AM ) 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**

MGT411 Online Quiz#2 Fall 2010

Question # 1 of 15 ( Start time: 06:03:35 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 # 2 of 15 ( Start time: 06:04:23 AM ) 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

Question # 3 of 15 ( Start time: 06:05:13 AM ) 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 # 4 of 15 ( Start time: 06:05:30 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 # 5 of 15 ( Start time: 06:06:37 AM ) Total Marks: 1

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

Select correct option:

C

M1

M2

M3

Question # 6 of 15 ( Start time: 06:07:20 AM ) 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 # 7 of 15 ( Start time: 06:07:47 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 # 8 of 15 ( Start time: 06:08:38 AM ) Total Marks: 1  
An increase in wealth shifts the demand for bonds to the \_\_\_\_\_.  
Select correct option:

Left  
Right  
No change  
All of the given options

Question # 9 of 15 ( Start time: 06:09:00 AM ) Total Marks: 1  
Which of the following expresses 6.5%?  
Select correct option:

0.0065  
6.50  
0.650  
0.0650

Question # 10 of 15 ( Start time: 06:09:19 AM ) Total Marks: 1  
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 # 11 of 15 ( Start time: 06:09:34 AM ) 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 # 12 of 15 ( Start time: 06:09:52 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 # 13 of 15 ( Start time: 06:10:17 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

Question # 14 of 15 ( Start time: 06:10:49 AM ) 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 between them

Question # 15 of 15 ( Start time: 06:11:20 AM ) 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 # 1 of 15 ( Start time: 06:13:57 AM ) Total Marks: 1

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

Select correct option:

BBB

ABB

Baa

Aaa

Question # 2 of 15 ( Start time: 06:14:23 AM ) 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 # 3 of 15 ( Start time: 06:14:44 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 # 4 of 15 ( Start time: 06:15:14 AM ) 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 # 5 of 15 ( Start time: 06:15:43 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

Question # 6 of 15 ( Start time: 06:16:12 AM ) 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 15 ( Start time: 06:17:04 AM ) Total Marks: 1  
Which of the following is NOT a depository financial institution?  
Select correct option:

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

Question # 9 of 15 ( Start time: 06:17:32 AM ) Total Marks: 1  
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

Question # 10 of 15 ( Start time: 06:18:17 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 # 11 of 15 ( Start time: 06:18:48 AM ) Total Marks: 1  
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

Question # 12 of 15 ( Start time: 06:19:29 AM ) 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 # 13 of 15 ( Start time: 06:20:10 AM ) Total Marks: 1

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

Question # 14 of 15 ( Start time: 06:20:57 AM ) 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 # 15 of 15 ( Start time: 06:21:20 AM ) 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 # 1 of 15 ( Start time: 06:25:11 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 # 2 of 15 ( Start time: 06:25:27 AM ) Total Marks: 1

Financial instruments are evolved just as \_\_\_\_\_.

Select correct option:

**Currency**

Stock

Bond

Commodity

Question # 3 of 15 ( Start time: 06:25:40 AM ) Total Marks: 1

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 # 4 of 15 ( Start time: 06:26:00 AM ) 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 # 5 of 15 ( Start time: 06:26:22 AM ) 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 # 6 of 15 ( Start time: 06:26:51 AM ) Total Marks: 1  
Most of the people among us are \_\_\_\_\_.  
Select correct option:

- Risk lovers
- Risk enhancers
- Risk averse
- Risk tolerating

Question # 7 of 15 ( Start time: 06:27:22 AM ) 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 # 8 of 15 ( Start time: 06:27:33 AM ) Total Marks: 1  
Which of the following expresses 6.5%?  
Select correct option:

- 0.0065
- 6.50
- 0.650
- 0.0650

Question # 9 of 15 ( Start time: 06:27:48 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**

Triples

halves

3/4

Question # 10 of 15 ( Start time: 06:28:00 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 # 11 of 15 ( Start time: 06:28:20 AM ) Total Marks: 1

An increase in wealth shifts the demand for bonds to the \_\_\_\_\_.

Select correct option:

Left

**Right**

No change

All of the given options

Question # 12 of 15 ( Start time: 06:28:55 AM ) Total Marks: 1

A business cycle downturn shifts the bond supply to the:

Select correct option:

Right

**Left**

No change

None of the given options

Question # 13 of 15 ( Start time: 06:29:17 AM ) Total Marks: 1

Stock exchange is an example of:

Select correct option:

- Financial company
- Financial institution
- Financial market
- Bank

Question # 14 of 15 ( Start time: 06:29:44 AM ) Total Marks: 1

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

Question # 15 of 15 ( Start time: 06:30:28 AM ) Total Marks: 1

Saving occurs normally in .....

Select correct option:

Early age

Middle age

Old age

None of above Question # 1 of 15 ( Start time: 09:09:04 PM ) 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 # 2 of 15 ( Start time: 09:09:26 PM ) 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 union

Question # 3 of 15 ( Start time: 09:09:42 PM ) Total Marks: 1

\_\_\_\_\_ are organized to eliminate the need of costly information gathering.

Select correct option:

Central bank

Commercial banks

Stock exchanges

Insurance companies

Question # 4 of 15 ( Start time: 09:09:51 PM ) 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 # 5 of 15 ( Start time: 09:09:57 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: 09:10:13 PM ) Total Marks: 1

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

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

Question # 7 of 15 ( Start time: 09:10:21 PM ) Total Marks: 1  
Economic development measured by  
Select correct option:

- Real GDP/population
- Real GDP/ nominal GDP
- Real GDP/Real GNP
- None of above

Question # 8 of 15  
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 # 9 of 15

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 # 10 of 15  
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

Question # 11 of 15

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

Select correct option:

C

M1

M2

M3

Question # 12 of 15

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

Which of the following is the least liquid of all?

Select correct option:

Money

Bonds & stocks

Lands & buildings

None of the given options

Question # 14 of 15

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 # 15 of 15

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 # 1 of 15 ( Start time: 10:49:40 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 15 ( Start time: 10:50:04 AM ) Total Marks: 1

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.

Question # 3 of 15 ( Start time: 10:50:32 AM ) 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 # 4 of 15 ( Start time: 10:51:02 AM ) Total Marks: 1

Economic development measured by

Select correct option:

Real GDP/population

Real GDP/ nominal GDP

Real GDP/Real GNP

None of above

Question # 4 of 15 ( Start time: 10:51:02 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

Left

No change

None of the given options

Consumer Price Index (CPI) measures the:

Select correct option:

Question # 6 of 15 ( Start time: 10:52:00 AM ) 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 # 7 of 15 ( Start time: 10:52:20 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 # 8 of 15 ( Start time: 10:52:45 AM ) Total Marks: 1

Systematic risks affect everyone and it can be minimized by

Select correct option:

Individual efforts

Business

Manufacturer

Improvement in overall economic performance of economy

Question # 9 of 15 ( Start time: 10:53:35 AM ) Total Marks: 1

Most of the people among us are \_\_\_\_\_.

Select correct option:

Risk lovers

Risk enhancers

Risk averse

Risk tolerating

Question # 10 of 15 ( Start time: 10:54:08 AM ) Total Marks: 1

Financial instruments can't be used

Select correct option:

For settlement of obligations

As store of value

To quote prices

For transfer the risk of market fluctuations from one party to another

Question # 11 of 15 ( Start time: 10:55:28 AM ) Total Marks: 1

Which is broadly used as money aggregate?

Select correct option:

M1

M2

M3

None of Above

Question # 12 of 15 ( Start time: 10:55:46 AM ) 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 # 13 of 15 ( Start time: 10:56:05 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

Question # 14 of 15 ( Start time: 10:56:26 AM ) Total Marks: 1

Developed financial system is essential for  
Select correct option:

- Proper allocation of resources
- Expansion of businesses and increase in production level
- Increase in the growth rate of GDP
- All of above

Question # 15 of 15 ( Start time: 10:57:08 AM ) 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)

**MGT411 - Money & Banking**

**Quiz # 03**

**Mega File**

**Solved by Muhammad Afaaq**

**Afaaq\_Tariq@yahoo.com**

**Start Date Jun 16, 2011 12:00 AM**

**End Date Jun 20, 2011 11:59 PM**

**Marks 15**

**MGT411 - Money & Banking**

**Quiz # 03**

**Mega File**

Solved by Muhammad Afaaq

Afaaq\_Tariq@yahoo.com

Start Date Jun 16, 2011 12:00 AM

End Date Jun 20, 2011 11:59 PM

Marks 15

Remember Me in Your Prayers

Best regard's

Muhammad Afaaq

MBA 4<sup>th</sup> (Final Semester) Finance Group

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If u like me than raise your hand with me

If not then raise ur standard

That's about me ... !