

Questions

1. Based on the Conflicts of Interest standard, members and candidates must:
 - A. disclose, as required by law, those conflicts interfering with their professional duties.
 - B. disclose, as appropriate, any benefit paid to others for the recommendation of products.
 - C. seek employer approval before prioritizing their investment transactions over those clients.

2. Kyle Taylor of Taylor Trust Company, noting the performance of Taylor's common trust fund for the past two years, states in a brochure sent to his potential clients, "You can expect steady 25% annual compound growth of the value of your investments over the year." Taylor Trust's common trust fund did increase at the rate of 25% per year for the past year, which mirrored the increase of the entire market. The fund has never averaged that growth for more than one year, however, and the average rate of growth of all of its trust accounts for five years is 5% per year. Taylor least likely violates the CFA Institute Standard of Professional Conduct concerning:
 - A. Performance presentation
 - B. Misrepresentation
 - C. Suitability

3. Which of the following statements regarding GIPS compliance is correct?
 - A. Asset owners that manage assets can claim compliance with the GIPS Standards.
 - B. Software that calculates performance in a manner consistent with the GIPS standards can claim compliance with GIPS standards.
 - C. Firms can comply with the GIPS standards by limiting their compliance claims to the provisions they have chosen to follow.

4. Which of the following sanctions is imposed by CFA Institute?
 - A. Fine.
 - B. Public censure.
 - C. Written complaints.

5. Millicent Plain has just finished taking Level II of the CFA examination. Upon leaving the examination site, she meets with four Level III candidates who also just sat for their exams. Curious about their examination experience, Plain asks the candidates how difficult the Level III exam was and how they did on it. The candidates say the essay portion of the examination was much harder than they had expected and they were not able to complete all questions as a result. The candidates go on to tell Plain about broad topic areas that were tested and complain about specific formulas they had memorized what did not appear on the exam. The Level III candidates least likely violated the CFA Institute Standards of Professional Conduct by discussing:

- A. specific formulas.
- B. broad topic areas.
- C. the examination essays.

6. Guillermo Sandoval, CFA, owns an asset management firm with offices downtown. To minimize rent expenses, each year Sandoval ships the previous year's research records to a nearby warehouse. There, the reports are digitized and stored in both electronic and hard-copy forms. After five years, all paper copies are destroyed and only electronic copies are retained. Are Sandoval's record-retention procedures in compliance with the CFA Institute Standards of Practice?

- A. Yes.
- B. No, because he did not retain the copies in his offices.
- C. No, because he failed to retain the original documents.

7. A firm that does not adopt the GIPS standards could mischaracterize its overall performance by presenting a performance history:

- A. that includes terminated portfolios.
- B. composed of a single top-performing portfolio.
- C. for an investment mandate over all periods since the firm's inception.

8. Madeline Smith, CFA, was recently promoted to senior portfolio manager. In her new position, Smith is required to supervise three portfolio managers. Smith asks for a copy of her firm's written supervisory policies and procedures but is advised that no such policies are required by regulatory standards in the country where Smith works. According to the Standards of Practice Handbook, Smith's most appropriate course of action would be to:

- A. require her firm to adopt the CFA Institute Code of Ethics and Standards of Professional Conduct.
- B. decline to accept supervisory responsibility until her firm adopts procedures to allow her to adequately exercise such responsibility.
- C. require the employees she supervises to adopt the CFA Institute Code of Ethics and Standards of Professional Conduct.

9. The Global Investment Performance Standards least likely require:

- A. nondiscretionary portfolios to be included in composites.
- B. non-fee-paying portfolios to be excluded in the returns of appropriate composites.
- C. composites to be defined according to similar investment objectives and/or strategies.

10. Sergio Morales, CFA, believes he has found evidence that his supervisor is engaged in fraudulent activity involving a client's account. When Morales confronts his supervisor, he is told the client is fully aware of the issue. Later that day, Morales contacts the client and after disclosing the fraudulent activity, he is told by the client to mind his own business. Following the requirements of local law, Morales provides all of his evidence, along with copies of the client's most recent account statements, to a government whistleblower program. Has Morales most likely violated the CFA Institute Standards of Professional Conduct?

- A. Yes, concerning Duties to Employers.
- B. Yes, concerning Preservation of Confidentiality.
- C. No.

11. Which of the statement about the verification of GIPS is incorrect?

- A. Verification is the review of an investment management firm's performance measurement processes and procedures by an internal "verifier".
- B. Verification tests whether the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis rather than ensures the accuracy of any specific composite presentations.
- C. Verification tests whether the firm's processes and procedures are designed to calculate and present performance results in compliance with the GIPS standards.

12. Elbie Botha, CFA, an equity research analyst at an investment bank, disagrees with her research team's buy recommendation for a particular company's rights issue. She acknowledges the team's recommendation is based on a well-developed process and extensive research, but she feels the valuation is overpriced based on her assumptions. Despite her contrarian view, her name is included on the research report to be distributed to all of the investment bank's clients. To avoid violating any CFA Institute Standards of Professional Conduct, it would be least appropriate for Botha to undertake which of the following?

- A. Insist her name be removed from the report.
- B. Leave her name on the report.
- C. Issue a new report.

13. Which of the following should a fund manager manage a fund to?

- A. An investment policy statement
- B. A written compliant
- C. A mandate

14. Noor Hussein, CFA, runs a financial advisory business, specializing in retirement planning and investments. One of her clients asks her to advise the firm's pension fund trustees on available investments in the market including Islamic products. On the day prior to the meeting, Hussein spends an hour familiarizing herself with Islamic investment products and getting updates on local market conditions. The next day, she recommends Islamic investment products to the trustees based on her research and her expertise in retirement planning and investments. The trustees subsequently incorporate Islamic products into their investment allocation. Did Hussein's basis for the recommendation most likely comply with the CFA Code of Ethics?

- A. Yes.
- B. No, with regard to Misconduct.
- C. No, with regard to Diligence and Reasonable Basis.

15. Mariam Musa, CFA, head of compliance at Dunfield Brokers, questions her colleague Omar Kassim, a CFA candidate and a research analyst, about his purchase of shares in a company for his own account immediately before he publishes a "buy" recommendation. He defends his actions by stating he has done nothing wrong because Dunfield does not have any personal trading policies in place. The CFA Institute Code of Ethics and Standards of Professional Conduct were most likely violated by:

- A. only Musa.
- B. only Kassim.
- C. both Musa and Kassim.

16. Elizabeth Levenson is a performance analyst for Torrey Investment Funds. Elizabeth once completed a report with Frank who was a previous employee in Torrey Investment Funds and released this report solely under her name. Does Elizabeth violate any CFA Institute Standards of Professional Conduct?

- A. Yes, related to Misconduct.
- B. Yes, related to Misrepresentation.
- C. No.

17. IPS should be updated repeatedly at least:

- A. Annually.
- B. Semi-annually.
- C. Quarterly.

18. Edo Ronde, CFA, an analyst for a hedge fund, One World Investments, is attending a key industry conference for the microelectronics industry. At lunch in a restaurant adjacent to the

conference venue, Ronde sits next to a table of conference attendees and is able to read their nametags. Ronde realizes the group includes the president of a publicly traded company in the microelectronics industry, Fulda Manufacturing, a company Ronde follows. Ronde overhears the president complain about a production delay problem Fulda's factories are experiencing. The president mentions that the delay will reduce Fulda earnings more than 20% during the next year if not solved. Ronde relays this information to the portfolio manager he reports to at One World explaining that in a recent research report he recommended Fulda as a buy. The manager asks Ronde to write up a negative report on Fulda so the fund can sell the stock. According to the CFA Institute Code of Ethics and Standards of Professional Conduct Ronde should least likely:

- A. revise his research report.
- B. leave his research report as it is.
- C. request the portfolio manager not act on the information.

19. An analyst in a rating agency has been accused of violations of Codes and Standards. However, he refuses the charges and does not accept the proposed sanctions. Which of the parties has the responsibility of dealing with this matter?

- A. the hearing panel.
- B. the CFA institute board of governors.
- C. Professional Conduct Program.

20. Jacques Lagarde, CFA, is a sell-side analyst at Springhill Financial, a small investment bank. Springhill is the lead manager for the equity offering of Chorale Music. Lagarde is not part of the IPO team for this offering. While finalizing a research report on Chorale, Lagarde discovers inconsistencies that makes him believe the company may have concealed losses in its leasing division last quarter that would significantly reduce its earnings. Lagarde suspects that Springhill's investment banking team are aware of these unreported losses. The prospectus for Chorale's equity offering has already been approved by regulators and distributed to potential investors. According to the CFA Institute Code of Ethics and Standards of Professional Conduct, Lagarde should most likely:

- A. report the issue to his supervisor.
- B. issue a report showing the leasing division losses.
- C. issue the report using data as reported in the prospectus.

21. Bradley Ames, a well-known and respected analyst, follows the high-tech industry. In the course of his research, he found that a small, relatively unknown company whose shares are traded over the counter has just signed significant contracts with some company he follows. After considerable amount of investigation, he wrote a research report on the small company and

recommend purchase of its shares. He sent his report to all clients through email and then made some telephone calls with VIPs. According to the CFA Institute Code of Ethics and Standards of Professional Conduct, Bradley most likely violate:

- A. Fair Dealing.
- B. Priority of transaction.
- C. None.

22. Gabrielle Gabbe, CFA, has been accused of professional misconduct by one of her competitors. The allegations concern Gabbe's personal bankruptcy filing ten years ago when she was a college student and had a large amount of medical bills she could not pay. By not disclosing the bankruptcy filing to her clients, did Gabbe most likely violate any CFA Institute Standards of Professional Conduct?

- A. No.
- B. Yes, related to Misconduct.
- C. Yes, related to Misrepresentation.

23. Lee Chu, a CFA candidate, develops a new quantitative security selection model exclusively through back-testing on the Chinese equity market. Chu is asked to review marketing materials including an overview of the conceptual framework for his model, providing back-tested performance results, and listing the top holdings. Chu directs the marketing group to remove the description of his model due to concerns competitors may attempt to replicate his investment philosophy. He also instructs the marketing group to remove the list of the top holdings because it shows that the top holding represents 30 percent of the back-tested model. Which of the following actions is least likely to result in a violation of the Code and Standards? Chu's:

- A. use of back-tested results in communication with prospective clients.
- B. failure to adequately describe the investment process to prospective clients.
- C. failure to disclose that the top holding represents such a large allocation in the model.

24. Darden Crux, CFA, a portfolio manager at SWIFT Asset Management Ltd., (SWIFT) calls a friend to join him for dinner. The friend, a financial analyst at Cyber Kinetics (CK), declines the invitation and explains she is performing due diligence on Orca Electronics, a company CK is about to acquire. After the phone call, Crux searches the Internet for any news of the acquisition but finds nothing. After verifying that Orca is on SWIFT's approved stock list, Crux purchases Orca's common stock and call options for selective SWIFT clients. Two weeks later, CK announces its intention to acquire Orca. The next day, Crux sells all of the Orca securities, giving the fund a profit of \$3 million. What action should Crux most likely have taken to avoid violating any CFA Institute Standards of Professional Conduct?

- A. Purchase the stock and call options for all clients.
- B. Trade only after analyzing the stock diligently and thoroughly.
- C. Refuse to trade based on the information.

25. David works as a portfolio manager for 10 years, and he is planning to leave his current company and to start his own business. Before his leaving, he informs his current clients that he is going to leave the company and open up a new firm running similar business without his employer's permission. In addition, David handles some registration affairs for his new firm after his work. David would most likely violate:

- A. informing his current clients of his resignation.
- B. dealing with registration things for his new firm before leaving.
- C. both A and B.

26. Alan Quanta, CFA, provides credit rating analysis of high-yield bonds using external credit ratings as a foundation. At the end of the last quarter, Quanta's firm, North Investment Bank, held a large position in the bonds of Veyron Corporation, a real estate company with all of its land holdings in a country recently downgraded by several credit rating agencies. The downgrades made Veyron bonds extremely difficult to sell because the bond price has dropped every day since the downgrades. Quanta has been asked by his supervisor to contact the firm's institutional clients to convince them Veyron bonds are still an attractive purchase, especially at these lower prices. Quanta does not consider the Veyron bonds a buy at this price level. According to the CFA Institute Code of Ethics and Standards of Professional Conduct, the most appropriate action for Quanta is to:

- A. obey his supervisor's request.
- B. ignore his supervisor's request.
- C. promote the bonds with appropriate disclosures.

27. Ken Kawasaki, CFA, shares a building with a number of other professionals who are also involved in the investment management business. Kawasaki makes arrangements with several of these professionals, including accountants and lawyers, to refer clients to each other. An informal score is kept on the expectation the referrals will equal out over time, eliminating the need for any cash payments. Kawasaki never mentions this arrangement to clients or prospective clients. Does Kawasaki's agreement with the other building occupants most likely violate any CFA Institute Standards of Professional Conduct?

- A. No.
- B. Yes, related to referral fees.
- C. Yes, related to communication with clients.

28. Jane Peebles observed that there is a bond whose current price is 1000 and the predicted price in one year is 1100. Which of the following is most likely to be described as a 10% rate of return?

- A. opportunity cost
- B. risk premium
- C. coupon rate

29. A client requires £100,000 in 11 months from now. Assuming an annual discount rate of 3%, compounded continuously the present value of the deposit is closest to: (未知题)

- A. € 97,291.
- B. €97,320.
- C. € 97,287.

30. With the increase of sample size, the standard error of estimator is gradually tend to zero. Which property of the estimator is most likely described?

- A. Consistency
- B. Unbiasedness
- C. Efficiency

31. A Scatter plot with two variables is best suited for visualizing:

- A. the joint variation in the variables.
- B. underlying trends in the variables over time.
- C. the degree of correlation between the variables.

32. An analyst gathered the following information about the price-earning (P/E) ratios for the common stocks held in a foundation's portfolio:

Interval	P/E range	cumulative absolute frequency
I	7.00-15.00	12
II	15.00-23.00	36
III	23.00-31.00	47
IV	31.00-39.00	55

The relative frequency for interval III are closest to:

Relative frequency

- A. 20.00%
- B. 22.00%

- C. 20.00%

33. Using the daily returns on the fictitious EAA Equity Index over five months and ranking them by return, from lowest to highest daily return as follows:

Daily Return (%)	Number of Observations
-1%-1%	30
1%-3%	30
3%-7%	30
7%-10%	30

Calculate the interquartile range.

- A. 2%
B. 4%
C. 6%

34. An analyst gathered the following information:

Portfolio	Geometric Mean	standard deviation of Returns
1	6%	8%
2	6%	12%

which Portfolio has the larger arithmetic Mean?

- A. Portfolio 1
B. Portfolio 2
C. the same

35. The covariance of a random variable with itself can also be described as?

- A. Variance
B. Covariance
C. Correlation

36. Compared with the normal distribution, there is a distribution whose left and right probabilities are underestimated. This distribution is most likely to be described as?

- A. Platykurtic
B. Leptokurtic
C. Lognormal distribution

37. The distribution of future share prices is least likely to be described as:
- A. Normal distribution
 - B. Binomial distribution
 - C. Lognormal distribution
38. For a stock, the probability of price rise is 0.6 and the probability of price decline is 0.4. The distribution of future share prices for this stock is most likely to be described as:
- A. Normal distribution
 - B. Binomial distribution
 - C. Lognormal distribution
39. The probability that stock price will not exceed his benchmark in a certain year is 0.4. If stock price outperform in the first year, the probability of stock price outperform in the second year is 0.55. Assuming that each year performance is independent of the other, what is the probability that the stock price will exceed his benchmark over the two years in total?
- A. 0.33
 - B. 0.22
 - C. 0.36
40. Select stocks from investment universe to build an indexed portfolio. Which of the following sampling method is most likely used?
- A. sample random sampling
 - B. stratified random sampling
 - C. systematic sampling
41. When evaluating mean differences between two dependent samples, the most appropriate test is a:
- A. z-test.
 - B. chi-square test.
 - C. t-test.
42. In simple linear regression analysis, which of the following variables from a normal distribution?
- A. Independent variable
 - B. Dependent variable
 - C. Error term

43. Julie Moon is an energy analyst examining electricity, oil, and natural gas consumption in different regions over different seasons. She ran a simple regression explaining the variation in energy consumption as a function of temperature. The total variation of the dependent variable was 140.58, and the explained variation was 60.16. She had 60 monthly observations. The sample variance of monthly energy consumption is closest to:

- A. 1.178
- B. 2.383
- C. 1.544

44. All else held constant, the width of a confidence interval for a population mean is most likely to be smaller if the sample size is:

- A. larger and the degree of confidence is lower.
- B. larger and the degree of confidence is higher.
- C. smaller and the degree of confidence is lower.

45. When testing a hypothesis, the power of a test is best described as the:

- A. probability of rejecting a true null hypothesis.
- B. probability of correctly rejecting the null hypothesis.
- C. same as the level of significance of the test.

46. A firm decided to sell three stocks out of five in order. How many different options are possible?

- A. 10
- B. 60.
- C. 120.

47. The term that describes when inflation declines but nonetheless remains at a positive level is:

- A. deflation.
- B. stagflation.
- C. disinflation.

48. Which of the following situations may lead to a liquidity trap?

- A. a decrease in the price level
- B. Stagflation
- C. A lower policy rate

49. Equality between aggregate expenditure and aggregate output implies that the private saving must equal:

- A. Investment + government's fiscal deficit + Net exports
- B. Investment - government's fiscal deficit + Net exports
- C. Investment - government's fiscal deficit - Net exports

50. The following data pertain to the total output in units and average selling prices in an economy that produces only two products, X and Y:

Year	Nominal GDP
2020	119,000
2021	126,000

If the GDP deflator in 2020 was 100 and GDP deflator in 2021 is 107.6, Changes in real GDP is closest to:

- A. -1.05%.
- B. 1.76%.
- C. -1.60%.

51. If the transfer payment remains unchanged, what is the personal income compared with disposable income?

- A. Large
- B. Same
- C. unable to judge

52. Which of the following causes shifts in the long-run aggregate supply curve?

- A. Input
- B. Supply of Labor
- C. Wage

53. Compared with the perfect competition, Which of the following is the characteristic of monopolistic competitive?

- A. product different
- B. many competitors
- C. zero economic profits in the long run

54. The current situation is as follows:

Real trend rate=2%

Current inflation rate=3%

Long-run Expected inflation =2%

If the policy rate is 5%, which type of monetary policy is it?

- A. Expansionary
- B. Neutral
- C. Contractionary

55. If a government increases G by the same amount as it raises taxes, What kind of policy is equivalent to implementation? Which of the following fiscal policy?

- A. Expansionary
- B. Tight
- C. Neutral

56. What happens in the middle of the contract?

- A. Inventory-sales ratio increases and net exports decrease
- B. capital spending and net exports decrease
- C. Capital spending and inventory-sales ratio increase

57. What is the positive impact of export subsidies in the exporting country?

- A. national welfare
- B. producer surplus
- C. consumer surplus

58. A forward premium indicates:

- A. an expected increase in demand for the base currency.
- B. the interest rate is higher in the base currency than in the price currency.
- C. the interest rate is higher in the price currency than in the base currency.

59. Assume that the nominal spot exchange rate (USD/EUR) increases by 7.3%, the Euro zone price level decreases by 3.8%, and the US price level increases by 2.3%. The change in the real exchange rate (%) is closest to:

- A. 0.9%.
- B. -6.0%.
- C. 14.1%.

60. The slope of the second half of LRATC is?

- A. Positive
- B. Negative
- C. Horizontal

61. which of the following goods will have a decline in price and an increase in demand regarding only substitution effect?

- A. normal goods
- B. inferior goods
- C. both normal goods and inferior goods

62. Three countries produce cars and bikes, and the output per worker per day in each country as follows:

Country	Cars	Bikes
1	50	70
2	30	50

Which country has an comparative advantage in the production of cars?

- A. Country 1.
- B. Country 2.
- C. Neither.

63. A central bank is normally the:

- A. lender of last resort.
- B. transfer payments.
- C. body that sets tax rates on interest on savings.

64. A company manufactures aluminum cans for the beverage industry and prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). During its latest full fiscal year, the company recorded the following:

Inventory Item	Amount € (thousands)
Raw material aluminum costs	150,000
Storage of finished cans	15,000
Wasted aluminum materials from abnormal production errors during the year	500
Transportation-in costs	640
Tax-related duties	340
Administrative overhead	7,500
Trade discounts due to volume purchases throughout the year	520

The total costs included in inventory (in € thousands) for the year are closest to:

- A. €150,980.
- B. €150,460.

C. €149,820.

65. Under US GAAP, in the statement of cash flows, dividend received by a company is most likely included in:

- A. Investing cash flow
- B. Operating cash flow
- C. Financing cash flow

66. A company's most recent balance sheet shows the following values (NZ\$ thousands):

Accounts payable	3800
Long-term debt	5590
Other long-term liabilities	800
Common stock	1200
Retained earnings	1810

The company's debt-to-equity ratio is closest to:

- A. 0.77.
- B. 1.86.
- C. 0.65.

67. An analyst has calculated the following ratios for a company:

Operating profit margin	17.5%
Net profit margin	11.7%
Fixed asset turnover	1.22 times
Total asset turnover	0.89 times
Return on assets (ROA)	10.4%
Financial leverage	1.46
Debt to equity	0.46

The company's return on equity (ROE) is closest to:

- A. 22.7%.
- B. 4.8%.
- C. 15.2%.

68. If a company has a deferred tax asset reported on its statement of financial position and the tax authorities reduce the tax rate, which of the following statements is most accurate concerning the effect of the change? The existing deferred tax asset and deferred tax liability will:

- A. not be affected.
- B. increase in value.

C. decrease in value.

69. A company incurred the following unrealized holding gains in the current year:

- \$100,000 on securities held for trading
- \$500,000 on the foreign currency translation adjustment of a self-sustaining non-domestic subsidiary

Other comprehensive income for the year is closest to:

- A. \$600,000.
B. \$100,000.
C. \$500,000.

70. The following relates to a company's common equity over the course of the year:

Outstanding shares, at start of the year	2,000,000
Stock options outstanding, at start and end of the year (Exercise price: \$5)	100,000
Shares issued on 1 April	300,000
Shares repurchased (treasury shares) on 1 July	100,000
Average market price of common shares for the year	\$20/share

If the company's net income for the year is \$5,000,000, its diluted EPS is closest to:

- A. \$2.17.
B. \$2.22.
C. \$2.20.

71. A Canadian printing company that prepares its financial statements according to IFRS has experienced a decline in the demand for its products. The following information (in Canadian dollars) relates to the company's printing equipment as of the current fiscal year end:

	C\$
Carrying value of equipment (net book value)	230,000
Undiscounted expected future cash flows	203,000
Present value of expected future cash flows	188,000
Fair value	210,000
Costs to sell	10,000
Value in use	190,000

The carrying value of the equipment after impairment is closest to:

- A. 190,000.
B. 200,000.
C. 210,000.

72. Alpha Company measures its manufacturing plant by using revaluation model, and after its first revaluation, Alpha decreased its reported carrying amount by 15 percent. Such loss for Alpha will be recognized in:

- A. A revaluation loss in other comprehensive income
- B. A revaluation loss in income statement
- C. A revaluation loss directly in retained earnings.

73. In 20X8, a company recorded several transactions under U.S. GAAP. The company purchased a new machine to update its manufacturing line for \$150,000. During the year, \$140,000 of convertible preferred stocks were exercised; \$24,000 dividends were received; and \$42,000 dividends were paid. In addition, the company repurchased 34,000 common shares and redeemed 20,000 debt during the year as well. The investing cash flows and the financing cash flows of the company were closest to:

	CFI	CFF
A.	(\$10,000)	(\$42,000)
B.	(\$150,000)	(\$42,000)
C.	(\$150,000)	(\$96,000)

74. Assume U.S. GAAP applies unless otherwise noted. Sauerbraten Corp. reported 2017 sales (\$ in millions) of \$4,314 and cost of goods sold of \$3,654. Inventories at year-end 2017 were \$1,106, and the company uses the LIFO method for inventory valuation and discloses that if the FIFO inventory valuation method had been used, inventories would have been \$126.6 million higher in 2017. In addition, the company has disclosed that their total current assets were 8,659 million in 2017, and their current liabilities were 4,687 million in 2017, when its inventories were measured under LIFO. If Sauerbraten had exclusively used the FIFO method, its current ratio would have been closest to:

- A. 1.87.
- B. 1.84.
- C. 1.82.

75. At the time of issue of 4.50% coupon bonds, the effective interest rate was 5.00%. Which of the following statement for this bond is most accurate?

- A. Interest expense is lower than coupon payment.
- B. The carrying value of the bond is increasing during the year.
- C. Interest expense is decreasing during the year

76. When computing net cash flow from operating activities using the indirect method, the circumstance that the company's net income will be higher than its operating cash flow is most likely to occur when there is a:

- A. loss on the sale of an asset.
- B. gain on the retirement of debt.
- C. Increasing working capital investment.

77. Once the management of GF company choose conservative accounting when the company has a higher than expected performance, but when the company does not perform well, they would choose an aggressive accounting. These choices will:

- A. Overestimate the company's earnings volatility
- B. Underestimate the company's earnings volatility
- C. No impact on the company's earnings volatility

78. A company issued 10,000,000 of bonds with a 20-year maturity at 96. Seven years later, the company called the bonds when the unamortized discount was 150,000. The company recognized 250,000 gain on the early retirement of the bond. The cash outflow for the early retirement of debt will be closest to:

- A. 9,8500,000
- B. 10,100,000
- C. 9,600,000

79. Using the following information, a Mexican corporation is computing the depreciation expense for a piece of manufacturing equipment that it purchased at the start of the current year. The company takes a full year's depreciation in the year of acquisition.

Cost of equipment	MXN100,000
Estimated residual value	0
Expected useful life	4 years

Which of the following statement is most accurate?

- A. In the third year, double declining method will lead to a higher depreciation expense
- B. In the second year, double declining method and straight line method will recognize the same depreciation expense.
- C. Double declining method will recognize different depreciation expense

80. Once the goodwill is impaired, the company will:

- A. Recognize impairment loss immediately.
- B. Amortize during the next several year.

- C. Ignore the impairment.

81. Under US GAAP, if a lease is classified as finance lease, the company will recognize its rent payment:

- A. Fully classified as financing activity.
- B. Fully classified as operating activity.
- C. Partially classified as financing activity, and partially classified as operating activity.

82. A company started its business in 2020, and it reported the following information of its tax related events.

('000)	2020
Deferred tax assets	400
Deferred tax liabilities	900
Earnings before taxes	8,000
Current income tax expense	2,000

The company's income tax expense in 2020 is closest to:

- A. \$2,000.
- B. \$2,100.
- C. \$2,500.

83. Assume U.S. GAAP applies unless otherwise noted. An analyst gathered the following annual information (\$ millions) about a company that pays no dividends and has no debt:

Net income	91.6
Depreciation	36.4
Loss on sale of equipment	3.2
Decrease in accounts receivable	8.4
Increase in inventories	10.8
Increase in accounts payable	9
Capital expenditures	14.6
Proceeds from issuance of new shares	17

The company's annual free cash flow to equity (\$ millions) is closest to:

- A. 106.2.
- B. 116.8.
- C. 123.2.

84. BAURU, S.A., a Brazilian corporation, borrows capital from a local bank to finance the construction of its manufacturing plant. The loan has the following conditions:

Borrowing date	1 January 2009
Amount borrowed	500 million Brazilian real (BRL)
Annual interest rate	14 percent
Term of the loan	3 years
Payment method	Annual payment of interest only. Principal amortization is due at the end of the loan term.

The construction of the plant takes two years, during which time BAURU earned BRL 10 million by temporarily investing the loan proceeds. Which of the following is the amount of interest related to the plant construction (in BRL million) that can be capitalized in BAURU's balance sheet?

- A. 130.
- B. 140.
- C. 210.

85. The following data selected from GF company's financial statements are shown in the table below:

Operating cash flow	163
Interest paid	35
Tax paid	12

The company is preparing its financial statements under IFRS, and interest paid are classified as financing activity within its cash flow statements. Based on the information provided above, the interest coverage ratio for GF company is closest to:

- A. 5
- B. 6
- C. 4.66

86. The following financial data is available for a XYZ company in 2021:

DPS	1.2
EPS	3
Asset turnover ratio	35%
Financial leverage	2.5
Net profit margin	20%

The company's sustainable growth rate is closest to:

- A. 8.4%.
- B. 10.5%.
- C. 11.7%.

87. Which of the following assets requires the company to conduct impairment test annually?
- Tangible assets
 - Intangible assets with finite useful life.
 - Intangible assets with infinite useful life.
88. In the audit report, an additional paragraph that explains an exception to an accounting standard is best described as a(n):
- adverse opinion.
 - qualified opinion.
 - disclaimer of opinion.
89. For a company applying US GAAP, which of the following is a warning sign to show a poor quality of financial report?
- Deferring recognizing costs.
 - Use LIFO method to measure inventories under deflation situation.
 - Choosing straight line methods to increase net income.
90. Assume U.S. GAAP applies. At the beginning of the year, a lessee company enters into a new lease agreement that is correctly classified as a finance lease, with the following terms:
- | | |
|--|---------------------|
| Annual lease payments due at the beginning of the year | \$100,000 |
| Lease term | 5 years |
| Appropriate discount rate | 12% |
| Depreciation method | straight-line basis |
| Estimated salvage value | \$0 |
- The book value of the lease was \$403,735. The reduction in the company's cash flow from financing activities after second payment regarding the lease is closest to:
- \$100,000.
 - \$63,552.
 - \$36,448.
91. Based on MM Propositions I with taxes, the difference between the value of levered company and unlevered company is closest to:
- The value of its debt
 - The value of tax rate
 - The value of debt multiplies tax rate.
92. The post-audit performed as part of the capital budgeting process is least likely to include the:

- A. provision of future investment ideas.
- B. rescheduling and prioritizing of projects.
- C. indication of systematic errors.

93. The following information is available for a company:

- Common equity has a beta of 1.2.
- The risk-free rate is 5% and the market premium is 12%.

The cost of equity by using CAPM method for the company is closest to:

- A. 19.4%
- B. 14.4%
- C. 13.4%

94. A production-flexibility option provides the company to have right to:

- A. Alter production when demand varies
- B. Delay investment
- C. Benefit from excess demand

95. Kim Corporation is considering an investment of 100 million won with expected after-tax cash inflows of 50 million for the first year and 66 million for the second year. The required return for this investment is 10%, which of the following statement about the wealth of shareholders is most likely accurate?

- A. Shareholders' wealth will decrease significantly.
- B. Shareholders' wealth will increase significantly
- C. Shareholders' wealth will remain nearly the same.

96. Fran McClure of Alba Advisers is estimating the cost of capital of Frontier Corporation as part of her valuation analysis of Frontier. McClure will be using this estimate, along with projected cash flows from Frontier's new projects, to estimate the effect of these new projects on the value of Frontier. McClure has gathered the following information on Frontier Corporation:

	Current Year (\$)	Forecasted for Next Year (\$)
Book value of debt	50	50
Market value of debt	62	63
Book value of shareholders' equity	55	58
Market value of shareholders' equity	210	220

The weights that McClure should apply in estimating Frontier's cost of capital for debt and equity are, respectively:

- A. $w_d = 0.200$; $w_e = 0.800$.
- B. $w_d = 0.185$; $w_e = 0.815$.
- C. $w_d = 0.223$; $w_e = 0.777$.

97. To compute a project's financing cost, the most appropriate choice for analyst is:

- A. Pre-tax cost of capital
- B. Historical cost of capital
- C. Marginal cost of capital

98. The cost of which source of capital most likely requires adjustment for taxes in the calculation of a firm's weighted average cost of capital?

- A. Common stock
- B. Preferred stock
- C. Bonds

99. Which of the following statements is the most appropriate treatment of flotation costs for capital budgeting purposes? Flotation costs should be:

- A. deducted as one of the project's end of period cash flows
- B. incorporated into the estimated cost of capital.
- C. deducted as one of the project's initial-period cash flows.

100. Which of the following is most likely a primary source of liquidity?

- A. Liquidating assets
- B. Sell inventory with its fair value
- C. Negotiation with creditors to lowering its financing cost

101.

Income Statement	Millions (\$)
Revenues	10.0
Variable operating costs	4.5
Fixed operating costs	1.8
Operating income	3.7
Interest	1.0
Taxable income	2.7
Tax	1.0
Net income	1.7

The degree of financial leverage (DFL) is closest to:

- A. 2.1.
- B. 1.7.
- C. 1.4.

102. An analyst gathers the financial information about three different companies, which one of three companies have an operating breakeven quantity of 10,000?

	Company A	Company B	Company C
Price per unit	20	30	25
Variable cost per unit	15	20	17
Fixed operating cost	40,000	100,000	75,000
Fixed financing cost	10,000	20,000	5,000

- A. Company A
- B. Company B
- C. Company C

103. In order to measure the liquidity of three companies, the analyst gathered the following financial information, as well as the industry average ratios.

	Company X	Company Y	Company Z
Cash	75,000	70,000	90,000
Marketable securities	70,000	32,000	55,000
Inventory	80,000	72,000	85,000
A/R	55,000	65,000	88,000
Current liabilities	120,000	150,000	135,000
Industry average			
Current ratio	2.16		
Quick ratio	1.70		

Which of the company's current ratio is higher than industry average, but its quick ratio is lower than industry average?

- A. Company X
- B. Company Y
- C. Company Z

104. The following information is available for a firm:

Unit	5 million
Total variable cost	40 million
Total fixed cost	25 million

Price	80
Interest	35 million

If sales increase by 10%, the net income will:

- A. Increase by 12%.
- B. Decrease by 12%.
- C. Increase by 10%.

105. Which of the following will increase the degree of financial leverage for the company?

- A. Increasing fixed financing cost
- B. Decreasing fixed financing cost
- C. Increasing fixed operating cost

106. Basic Company has decided to increase its fixed production cost and finance more by issuing new shares, which of the following statement about Basic Company's risk is most accurate?

- A. Its operating risk is increasing, but financing risk is decreasing
- B. Both of its operating risk and its financing risk are increasing
- C. Its operating risk is decreasing, but financing risk is increasing

107. Which of the following sources of short-term financing is most likely used by smaller companies?

- A. Commercial paper
- B. Collateralized loans
- C. Uncommitted lines

108. The following information is available for a firm:

- Market risk premium 7.0%
- Risk-free rate 2.0%
- Comparable firm return 10.4%
- Comparable firm debt-to-equity ratio 1.0
- Comparable firm tax rate 40.0%

The firm's unleveraged beta is closest to:

- A. 0.75.
- B. 1.20.
- C. 1.05.

109. Which type of security market indexes represent more than 90 percent of the selected market?

- A. Broad Market Indexes.

- B. Sector Indexes.
- C. Style Indexes.

110. An index with an inception value 950 and price returns of 6%, -3% and 5% for Periods 1, 2 and 3 respectively. Suppose that the same index yields an additional 3%, 3% and 2% return from income in Period 1, 2 and 3 respectively. The values of the total return index would be closest to:

- A. 1026.
- B. 1028.
- C. 1108.

111. Which one of the following can be classified as financial assets?

- A. Currencies.
- B. Commodities.
- C. Real assets.

112. Which of the following statements best describe underwritten offering?

- A. The investment bank acts only as broker.
- B. The investment bank guarantees the sale of the issue at an offering price.
- C. If the offering is undersubscribed, the issuer will not sell as much as it hoped to sell.

113. Under which method will the issuer bear the risks that the entire issue may not be sold to the public at the stipulated offering price?

- A. Shelf registration.
- B. Best effort offering.
- C. Underwritten offering.

114. Which form of the efficient market hypothesis would likely have a significant influence on if insider trading in securities is not allowed?

- A. Weak-form.
- B. Semi-strong-form.
- C. Strong-form.

115. Which of the following can be used to test in a semi-strong-form efficient market instead of in a weak-form market?

- A. Trading rule.
- B. Event study.
- C. Serial correlation.

116. Given the following information for a company:

- Current dividend per share \$5
- Dividend growth rate 8%
- Required rate of return 12%

Using the Gordon growth model to estimate the intrinsic value, the company's intrinsic value is closest to:

- A. \$125.
- B. \$135.
- C. \$145.

117. An analyst collects the following data on a company:

- Justified forward P/E 16x
- Payout ratio 35%
- Growth rate 7.8%
- Return on equity 12%

Then the required rate of return will be closest to:

- A. 6.4%
- B. 8.3%
- C. 10.0%

118. Which of the following statements about an embryonic industry is most accurate?

- A. Slow growth and relatively high barriers to entry.
- B. Intense competition and declining profitability.
- C. High prices and high threat of new entrants.

119. Which classification schemes is the most subjective way to identify a potential comparable company?

- A. Sector grouping.
- B. Industry grouping.
- C. Peer construction.

120. A company with a cost leadership strategy will focus on:

- A. Differentiating the product.
- B. Lowering cost of capital.
- C. Ignoring the market share.

121. Which characteristic will be considered of a well-functioning financial market?

- A. The existence of well-developed markets that trade instruments that help people solve their financial problems.
- B. Liquid markets in which the costs of trading—commissions, bid–ask spreads, and order price impacts—are high.
- C. Timely financial disclosures by corporations and governments that not allow market participants to estimate the fundamental values of securities.

122. An investor buys a stock for \$80 using an initial leverage ratio of 2.5. The maintenance margin requirement for the position is 36%. The price below which the investor would receive a margin call would be:

- A. \$73.
- B. \$74.
- C. \$75.

123. Which of the following is most likely considered a weakness of present value models?

- A. Present value models cannot be used for companies that do not pay dividends.
- B. Small changes in model assumptions and inputs can result in large changes in the computed intrinsic value of the security.
- C. The value of the security depends on the investor's holding period; thus, comparing valuations of different companies for different investors is difficult.

124. Asset-based valuation models are best suited to companies where the capital structure does not have a high proportion of:

- A. debt.
- B. intangible assets.
- C. current assets and liabilities.

125. An industry with high barriers to entry and weak pricing power most likely has:

- A. high barriers to exit.
- B. stable market shares.
- C. significant numbers of issued patents.

126. Which of the following is not a limitation of the cyclical/non-cyclical descriptive approach to classifying companies?

- A. A cyclical company may have a growth component in it.
- B. Business-cycle sensitivity is a discrete phenomenon rather than a continuous spectrum.

- C. A global company can experience economic expansion in one part of the world while experiencing recession in another part.

127. A U.S. institutional money manager prefers to invest in depository instruments of non-domestic equity securities that are privately placed in the U.S. and not subject to the foreign ownership and capital flow restrictions. The type of security that is most appropriate for this investor is:

- A. Global registered shares.
- B. Global depository receipts.
- C. American depository shares.

128. A 3-year bond offers a 10% coupon rate with interest paid annually. Assuming the following sequence of spot rates, the price of the bond is closest to:

Time-to-Maturity	Spot Rates
1 year	8.0%
2 years	9.0%
3 years	9.5%

- A. 96.98.
- B. 101.46.
- C. 102.95.

129. Which of the following duration is a curve duration?

- A. Approximate modified duration
- B. Macaulay duration
- C. Effective duration

130. Which of the following is the interest rate on a repurchase agreement?

- A. Repo margin.
- B. haircut.
- C. Repo rate.

131. Which of the following has the least risk in relying on credit rating agency ratings?

- A. High Loss given default.
- B. High Legal risk.
- C. High credit rating.

132. Bond A, described in the exhibit below, is sold for settlement on 21 June 2015. The full price that bond A will settle at on 21 June 2015 is closest to:

- Annual coupon: 8%
- Coupon payment frequency: semiannual
- Interest payment date: 5 April and 5 October
- Maturity date: 5 October 2017
- Day count convention: 30/360
- Annual yield-to-maturity: 6%

- A. 104.58.
- B. 105.26.
- C. 105.89.

133. The factor considered by rating agencies when a corporation has debt at both its parent holding company and operating subsidiaries is best referred to as:

- A. credit migration risk.
- B. corporate family rating.
- C. structural subordination.

134. Which of the following three companies will most likely have notching issues, when they issue corporate bonds?

- A. Company A with AAA rating
- B. Company B with AA rating
- C. Company C with BBB rating

135. Which of the following situation most likely results in corporate credit spreads widen?

- A. A period of high supply for bonds.
- B. Strengthening economic conditions.
- C. A period of high demand for bonds.

136. An eight-year, 3.5% annual coupon bond is priced at 92.1492, with a yield to maturity of 4.7% and a Macaulay duration of 7.0705. If rates decrease by 75 bps, the percentage price change of the bond is closest to:

- A. - 5.30%.
- B. 5.07%.
- C. 5.30%.

137. An investor buys a three-year bond with a 5% coupon rate paid annually. The bond, with a yield-to-maturity of 3%, is purchased at a price of 105.657223 per 100 of par value. Assuming a 5-basis point change in yield-to-maturity, the bond's approximate modified duration is closest to:

- A. 2.78.
- B. 2.86.
- C. 5.56.

138. The semiannual bond equivalent yield spot rates for US Treasury yields are provided below.

Period	Years	Spot Rate
1	0.5	1.8%
2	1.0	2.7%
3	1.5	3.4%
4	2.0	4.0%

On a semiannual bond equivalent yield (BEY) basis, the six-month forward rate one year from now is closest to:

- A. 3.60%.
- B. 4.81%.
- C. 5.40%.

139. During the economic contractions, the credit spread will tend to be:

- A. widen.
- B. constant.
- C. narrow.

140. There are three bonds are currently trading at par value.

Bond	Coupon Rate	Maturity (years)
A	6%	10
B	6%	5
C	8%	5

Which bond will most likely experience the greatest percentage change in price if the market discount rates for all three bonds increase by 100 basis points?

- A. Bond A
- B. Bond B
- C. Bond C

141. The option-free bonds issued by ALS Corp. are currently priced at 105.85. Based on a portfolio manager's valuation model, a 1bp increase in interest rates will result in the bond price falling to

105.75 whereas a 1bp decrease in interest rates will result in the bond price rising to 105.90. The price value of a basis point (PVBP) for the bonds is closest to:

- A. 0.025.
- B. 0.050.
- C. 0.075.

142. An analyst needs to assign a value to an illiquid three-year, 5.0% annual coupon payment corporate bond. The analyst identifies two corporate bonds that have similar credit quality: One is a two-year, 6.0% annual coupon payment bond priced at 106.500 per 100 of par value, and the other is a four-year, 5.0% annual coupon payment bond priced at 106.250 per 100 of par value. Using matrix pricing, the estimated price of the illiquid bond per 100 of par value is closest to:

- A. 105.763.
- B. 106.375.
- C. 106.775.

143. When the investor's investment horizon is less than the Macaulay duration of the bond she owns:

- A. The investor is hedged against interest rate risk.
- B. Reinvestment risk dominates, and the investor is at risk of lower rates.
- C. Market price risk dominates, and the investor is at risk of higher rates.

144. A bond has a Macaulay duration of 8.0, modified duration of 8.5, and convexity of 72.50. If the bond's yield to maturity decreases by 40 bps, the expected percentage price change is closest to:

- A. 3.46%.
- B. 3.57%.
- C. 3.25%.

145. When issuing debt, a company may use a sinking fund arrangement as a means of reducing:

- A. credit risk.
- B. inflation risk.
- C. interest rate risk.

146. The current yield for a 6% coupon, 8-year bond, with a maturity par value of \$100 and currently priced at \$92.50 is closest to:

- A. 6.00%.
- B. 6.49%.

C. 7.25%.

147. In a securitization, time tranching provides investors with the ability to choose between:

- A. extension and contraction risks.
- B. senior and subordinated bond classes.
- C. fully amortizing and partially amortizing loans.

148. Which of the following descriptions is a characteristic of derivatives?

- A. Derivatives have a relatively low correlation with the traditional investment.
- B. Derivatives reduce the cost of risk transfer when one party passes the risk to other parties.
- C. Derivatives exploit arbitrage possibilities among assets in financial market.

149. At the beginning of a swap contract, does any party pay the other one any stream of payments?

- A. NO.
- B. The short party should make initial payments to the long party.
- C. The long party should make initial payments to the short party.

150. A swap contract is classified as an :

- A. OTC contingent claim
- B. OTC forward commitment
- C. exchange-traded forward commitment

151. Compounding spot rate by risk-free rate until maturity, minus cost of benefit, plus cost of carry, which equals to:

- A. the forward price of underlying asset.
- B. the value of contract.
- C. the value of underlying asset.

152. If the risk-free rate is great than zero and net cost of carry equals to zero, the forward price is:

- A. greater than spot price.
- B. smaller than spot price.
- C. the same as spot price.

153. The time value of a European put option is positively related to the:

- A. volatility of underlying.
- B. interest rate.
- C. Both of A and B.

154. Which of the following options is most likely to have a lower market value as its maturity increases?

- A. European put option.
- B. American call option.
- C. European call option.

155. Which of the following transactions equals to a protective put?

- A. Long asset, short put.
- B. Long asset, short call.
- C. Long risk-free bond, long call.

156. If the exercise price is \$10, which of following transactions is most likely to have a greatest loss?

- A. Short a put option with \$0.1 option premium.
- B. Long a put option with \$0.3 option premium.
- C. Long a call option with \$11.25 option premium.

157. As market conditions change, the price of a swap contract typically:

- A. fluctuates over the life of the contract.
- B. equals to the value of swap.
- C. does not fluctuate over the life of the contract.

158. An investor purchases an equity index and worries about price risk of the index. The investor decides to use futures to hedge and construct a properly hedged portfolio. If the risk-free rate is lower than risk premium, the total gains or losses of the portfolio equals to:

- A. zero.
- B. risk-free rate.
- C. risk premium.

159. Which of following methods of investing in alternative investments is not required to pay management fees and performance fees to an external manager?

- A. Fund investing.
- B. Co-Investing.
- C. Direct Investing.

160. If the market is said to be in backwardation, the commodity forward curve will most likely be:

- A. downward sloping.
- B. upward sloping.
- C. Flattening.

161. Which of following statements about commodities is most likely correct?

- A. The underlying asset of the commodity derivative may be a single commodity or an index of commodities.
- B. In order to be transparent, investable, and replicable, commodity indexes typically use the price of the prices of the underlying commodities rather than the futures contracts.
- C. The performance of a commodity index cannot differ from the performance of the physical commodities.

162. Which of following is a characteristic of real estate?

- A. Titles cannot be mortgaged.
- B. Titles cannot be transferred together or separately, in whole or in part.
- C. A title or deed represents real estate property ownership and covers building and land-use rights along with air, mineral, and surface rights.

163. Which of the following statements best describe the characteristics of venture capital?

- A. Venture capital will generally use high level of leverage.
- B. Venture capital can invest only in equity.
- C. Venture capital can be provided at a variety of stage.

164. In the partner agreement of private equity funds, who may earn an incentive fee?

- A. General partner.
- B. Limited partner.
- C. Both A and B.

165. The end-of-year value before fees for last year was £150 million. This year's end-of-year value before fees is £155 million. The fund charges "2 and 20". Management fees are paid net of incentive fees and are calculated on end-of-year values. What is the total fee paid this year?

- A. £3.10 million.
- B. £3.48 million.
- C. £4.10 million.

166. As one type of infrastructure investments, greenfield investment is categorized by:

- A. underlying asset.

- B. maturity.
- C. the underlying asset's stage of development.

167. When a company announced merger or acquisition, an investor goes long (buying) the stock of the company being acquired and goes short (selling) the stock of the acquiring company. Which of following hedge fund strategies does the investor use?

- A. Convertible bond arbitrage.
- B. Merger arbitrage.
- C. Market Neutral hedge fund strategy

168. Which of following characteristics of fund investing in alternative investments is least likely correct?

- A. Fund investing in alternative investments is costly.
- B. Investors have greater amount of flexibility than direct investing the highest level of control over how the asset is managed.
- C. Fund investing is suitable for institutional investors when doing a first time investment.

169. With respect to the capital asset pricing model (CAPM), if the expected market risk premium is 7% and the risk-free rate is 2.5%, the expected return for a security with a beta (1.3) is closest to:

- A. 8.35%.
- B. 11.6%.
- C. 9.5%.

170. Which of the following investors is most likely classified as an institutional investor?

- A. Defined benefit plan.
- B. University endowment.
- C. Both.

171. An analyst gathers the following information:

Security	Expected standard deviation (%)	Beta
1	25%	1.2
2	15%	0.9
3	20%	1.1
Market portfolio	11%	1.0

Which security has the highest correlation with market portfolio?

- A. 1

- B. 2
- C. 3

172. A portfolio manager creates an equal-weighted portfolio with an expected standard deviation 5.76 for its two securities. If the covariance of two securities is equal to -1, the standard deviation of the portfolio is equal to:

- A. 16.09
- B. 4.01.
- C. 3.43

173. A portfolio manager creates a portfolio and the correlation coefficient between two securities equals to zero. Comparing the weighted average of two securities' standard deviation, the portfolio's standard deviation is:

- A. lower.
- B. higher.
- C. no difference.

174. With respect to the capital market theory, investors are most likely compensate for:

- A. unexpected negative political events.
- B. recent development of a new drug of a pharmaceutical company
- C. CEO's retirement of a public company

175. With respect to the portfolio management process, security selection with thorough analysis is most likely include in the:

- A. planning step.
- B. feedback step.
- C. execution step.

176. If noises in a data base are treated as true parameters to build the model, the machine learning model most likely suffers from:

- A. overfitted.
- B. underfitted.
- C. overtrained.

177. When analyzing a price chart, an analyst found concurrent occurrence of increasing price and decreasing volume, which will most likely indicate which of the following?

- A. Confirming a rising or declining trend in prices.

- B. Predicting that a trendless period will follow.
- C. Inconclusive results

178. Which of the following strategies will have the best performance during a consolidation period?

- A. Explore the opportunities the reversal pattern.
- B. Explore the opportunities the continuation pattern.
- C. Short option with short-term maturity.

179. Risk budgeting:

- A. is to establish the organization's risk appetite.
- B. aligns risk management activities with the goals of the overall enterprise and allocates investments or assets by their risk characteristics.
- C. identifies the extent to which the entity is willing to experience losses or opportunity costs and to fail in meeting its objectives.

180. An investor with long-term strategy will gain most of his returns mainly from:

- A. beta.
- B. alpha.
- C. security selection.

Solutions

1. Solution: B.
2. Solution: C.
3. Solution: A.
4. Solution: B.
5. Solution: C.
6. Solution: A.
7. Solution: B.
8. Solution: B.
9. Solution: A.
10. Solution: C.
11. Solution: A.
12. Solution: C.
13. Solution: A.
14. Solution: C.
15. Solution: C.
16. Solution: C
17. Solution: A.
18. Solution: A.
19. Solution: A.
20. Solution: A.
21. Solution: C.
22. Solution: A.
23. Solution: A.
24. Solution: C.
25. Solution: A.
26. Solution: B.
27. Solution: B.
28. Solution: A.
29. Solution: C.
30. Solution: A.
31. Solution: A.
32. Solution: A.
33. Solution: C.
34. Solution: B.
35. Solution: A.
36. Solution: B.

37. Solution: A.
38. Solution: B.
39. Solution: A.
40. Solution: B.
41. Solution: C.
42. Solution: C.
43. Solution: C.
44. Solution: A.
45. Solution: B.
46. Solution: B.
47. Solution: C.
48. Solution: A.
49. Solution: A.
50. Solution: C.
51. Solution: C.
52. Solution: B.
53. Solution: A.
54. Solution: C.
55. Solution: A.
56. Solution: B.
57. Solution: B.
58. Solution: C.
59. Solution: A.
60. Solution: A.
61. Solution: C.
62. Solution: A.
63. Solution: A.
64. Solution: B.
65. Solution: B.
66. Solution: B.
67. Solution: C.
68. Solution: C.
69. Solution: C.
70. Solution: B.
71. Solution: B.
72. Solution: B.
73. Solution: C.

74. Solution: A.
75. Solution: B.
76. Solution: A.
77. Solution: B.
78. Solution: C.
79. Solution: B.
80. Solution: A.
81. Solution: C.
82. Solution: C.
83. Solution: C.
84. Solution: A.
85. Solution: A.
86. Solution: B.
87. Solution: C.
88. Solution: B.
89. Solution: A.
90. Solution: B.
91. Solution: C.
92. Solution: B.
93. Solution: A.
94. Solution: A.
95. Solution: A.
96. Solution: C.
97. Solution: C.
98. Solution: C.
99. Solution: C.
100. Solution: B.
101. Solution: C.
102. Solution: B.
103. Solution: A.
104. Solution: A.
105. Solution: A.
106. Solution: A.
107. Solution: B.
108. Solution: A.
109. Solution: A.
110. Solution: C.

111. Solution: A.
112. Solution: B.
113. Solution: B.
114. Solution: B.
115. Solution: B.
116. Solution: B.
117. Solution: C.
118. Solution: C.
119. Solution: C.
120. Solution: B.
121. Solution: A.
122. Solution: C.
123. Solution: B.
124. Solution: B.
125. Solution: A.
126. Solution: B.
127. Solution: B.
128. Solution: B.
129. Solution: C.
130. Solution: C.
131. Solution: C.
132. Solution: C.
133. Solution: C.
134. Solution: C.
135. Solution: A.
136. Solution: B.
137. Solution: C.
138. Solution: B.
139. Solution: A.
140. Solution: A.
141. Solution: C.
142. Solution: A.
143. Solution: C.
144. Solution: A.
145. Solution: A.
146. Solution: B.
147. Solution: A.

148. Solution: C.
149. Solution: A.
150. Solution: B.
151. Solution: A.
152. Solution: A.
153. Solution: A.
154. Solution: A..
155. Solution: C.
156. Solution: C.
157. Solution: C.
158. Solution: B.
159. Solution: C.
160. Solution: A.
161. Solution: A.
162. Solution: C.
163. Solution: C.
164. Solution: A.
165. Solution: B.
166. Solution: C.
167. Solution: B.
168. Solution: B.
169. Solution: B.
170. Solution: C.
171. Solution: B.
172. Solution: B.
173. Solution: A.
174. Solution: A.
175. Solution: C.
176. Solution: A.
177. Solution: B.
178. Solution: C.
179. Solution: B.
180. Solution: A.