Lesson #2 Quiz
Graded Quiz • 30 min
Due Nov 9, 4:59 PM +09
Congratulations! You passed!
TO PASS 80% or higher

Keep Learning

GRADE

83.33%

Lesson #2 Quiz

LATEST SUBMISSION GRADE

83.33%

1.
Question 1
A stress test: (check all that apply)
1 / 1 point

Tries to incorporate all the interconnections between financial institutions.

Correct

Does not look at historical returns, and looks at all the details of the portfolios and their vulnerabilities during all sorts of potential financial crises.

Correct

Aims to test the behavior of historical returns and their fluctuations during all sorts of potential financial crises.

Tries to incorporate all potential economic and financial crises, such as recessions, appreciation and depreciation of currency, liquidity crisis, etc.

Correct

2.

Question 2

A 5% 3-month Value At Risk (VaR) of $1 million represents:

1 / 1 point

A 5% decline in the value of the asset after 3 month, per each $1 million of notional.

The likelihood of a 5% of $1 million decline in the asset over the next 3-month.

A 5% chance of the asset declining in value by $1 million during the 3-month time frame.

A 5% chance of the asset increasing in value by $1 million during the 3-month time frame.

Correct

3.

Question 3

In the Capital Asset Pricing Model (CAPM), a measure of systematic risk is captured by:

1 / 1 point

The standard deviation of returns.

The variance of returns.

The Beta.

The Alpha.

Correct

4.

Question 4

Market (or systematic) risk ____________ whereas idiosyncratic risk

___________.

0 / 1 point

Is the risk for an asset to experience losses due to factors that affect the entire stock market

Is the risk which is endemic to a specific asset and therefore not the market as a whole

Is the risk for an asset to not be able to be traded in the market at a later time

Is the risk for an asset to experience losses due to factors that affect the entire stock market

Is the risk for an asset to experience losses due to factors that affect the entire stock market

Is the risk which is endemic to the industry of the asset and therefore not the market as a whole

Is the risk for an asset to experience losses due factors that solely affect the industry associated with the asset

Is the risk which is endemic to a specific asset and therefore not the market as a whole

Incorrect

5.

Question 5

Why might an investor not normally invest large sums of money into Walmart or Apple stock?

1 / 1 point

Both companies have received extensive media coverage

Their stock prices closely track the S&P500

Their stock prices are highly volatile, and thus carry a lot of risk

The stock prices are very stable, making it difficult to gain large sums of money

Correct

6.

Question 6

Why is the normal distribution not a good model of some financial data?

1 / 1 point

The standard deviation is too high

Extreme events occur in it too often

The standard deviation is too low

It does not have many outliers

Correct

Most values drawn from a normal distribution are within a few standard deviations of the mean. This is not the case in the S&P500 data, for example.