Final Exam Graded Quiz • 30 min Due Dec 21, 4:59 PM +09
Congratulations! You passed! TO PASS 80% or higher
Keep Learning
GRADE
100%
Final Exam
LATEST SUBMISSION GRADE
100%
1. Question 1Why was the Yale portfolio primarily in bonds and other "safe" investments?1 / 1 point
Yale was following the best practice advice of Joe McNay
Yale did not want the strong variation that are common in investment
Yale had too much money for other investments
Yale did not have a portfolio manager
Correct
2.
Question 2

Which of the following is NOT an example of moral hazard?
1 / 1 point
Lying about farming yields to collect insurance money.
Neglecting to replace smoke detector batteries when insured against fire.
Knowingly building a house in an area susceptible to floods
Not farming efficiently because farming insurance will cover the cost of a bad crop.
Correct
This is only an example of moral hazard if you have flood insurance and are incentivized by the insurance company's willingness to pay for flood damage. Increasing the cost of flood insurance in these areas reduces or eliminates the moral hazard.

3.
Question 3
All rational investors, seeking to manage risk by optimally diversifying across a common set of different assets:
1 / 1 point
Only focus on the mean of the overall portfolio.
Can ultimately hold different, fully diversified portfolios.
Are concerned about by the performance of the riskier assets once they have created the diversifying portfolio.
Ultimately earn the same return if they share the same level of risk-aversion.

Correct
Rational investors sharing the same level of risk-aversion hold the same optimally diversified portfolio. Hence they earn the same return: the return of the portfolio.
4.
Question 4
If you want to protect the risk consisting in the fluctuations of the value of your home, you would ideally:
1 / 1 point
Want to be long (buyer) in the market for homes in your city.
Want to stay market-neutral (neither long nor short) in the market for homes in your city.
Avoid investing in the housing market in your city.

Want to short the market for homes in your city.
Correct
As in shorting the stock market, this would allow you to buy back the asset at a lower price if the prices of homes in your city happen to collapse.
5.
Question 5
Regarding the Efficient Market Hypothesis:
1 / 1 point
The strong form states that stock prices reflect all the information that can be observed on the
trading floor.

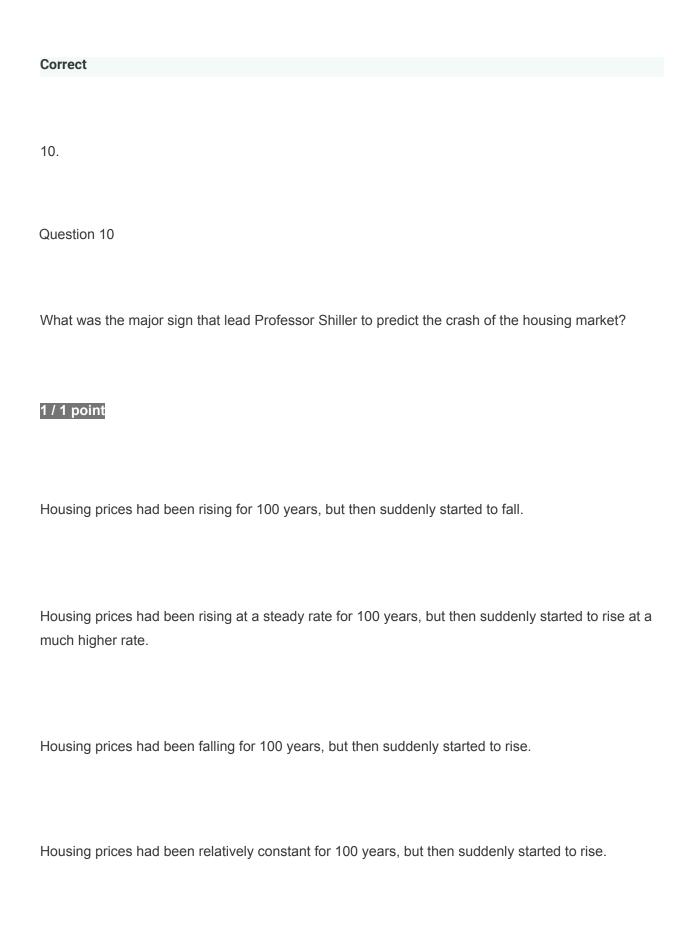
The weak form states that current market prices reflect all information that can be relevant to the valuation of the firm.
The semi-strong form states all publicly available information about a firm's prospects are reflected within the firm's stock price.
The hypothesis does not hold if asset prices reflect all -including inside- relevant information.
Correct
6.
Question 6
Nastya's makes risky investments with 25% of her portfolio and invests the rest of the portfolio in low-variance investments. This is an example of
1 / 1 point

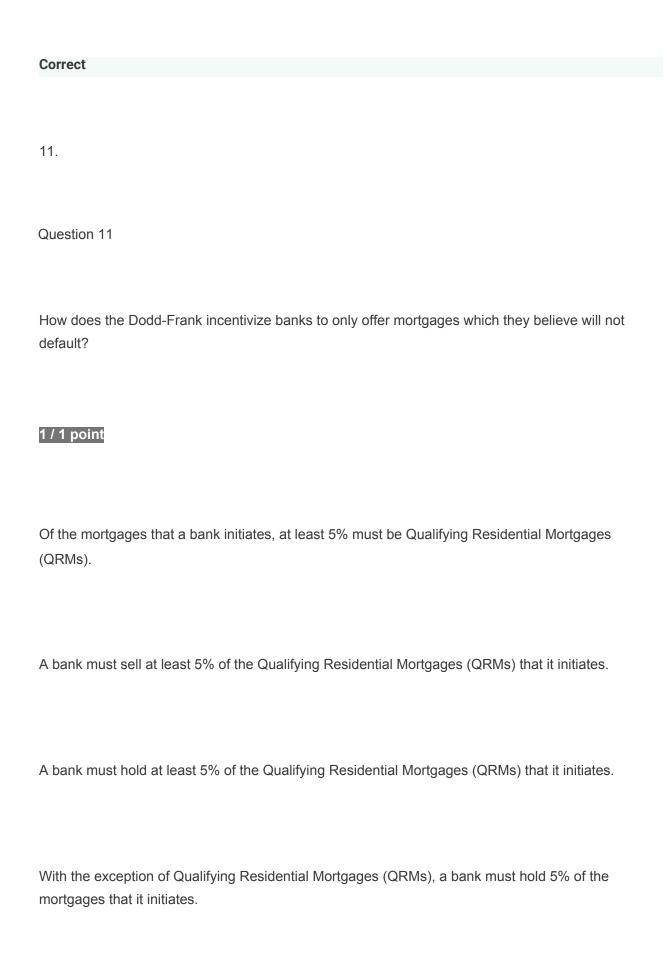
Attention anomalies
Disjunction effect
Representativeness heuristic
Mental compartmentalization
Correct
Nastya mentally separates the portfolio into a risky portion and a non-risky portion instead of looking at the overall risk
7.
Question 7

Today, the nominal rate of interest is 6% and the inflation rate is 2%. The real rate of interest is therefore:
1 / 1 point
1%
2%
3%
4%
Oarmant
Correct
The real interest rate is calculated by subtracting the inflation rate from the nominal interest rate.

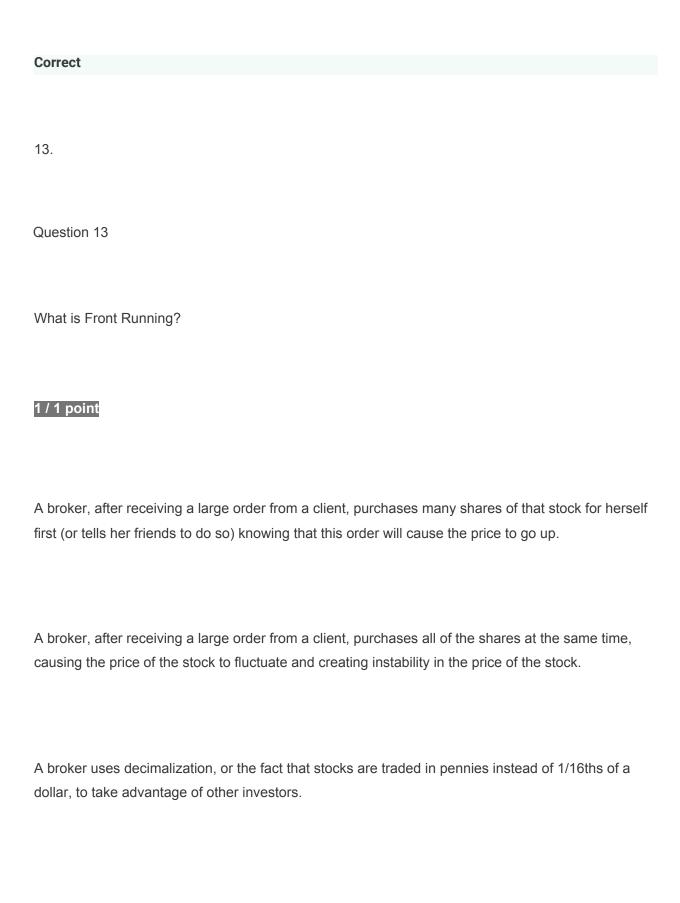
8.
Question 8
The potential upside of share dilution is that:
1 / 1 point
The capital received by the company after the dilution can improve the company's profitability and its stock price.
The ownership of the company becomes more concentrated.
The company will increase its dividend payments over the short to medium-term.
There is no potential upside of share dilution.
Correct

9.
Question 9
If both dividends and capital gains are taxed at the same ordinary income tax rate, some difference in the tax effect still exists because:
1 / 1 point
Dividends are immediately taxed while capital gains are deferred until the stock is sold.
Capital gains are immediately taxed while dividends are deferred until the stock is sold.
Both dividends and capital gains are theoretically taxed every year but in practice, capital gains are rarely taxed.
There is no difference: both dividends and capital gains are taxed every year.





Correct
12.
Question 12
Which of the following is an example of tunneling?
1 / 1 point
Selling an asset far above or below its value.
Insider trading.
insider trading.
Telling friends inside information which helps them exploit a business opportunity.
All of the above are examples of tunneling.
7 in or the above are examples of tarmoning.



A broker temporarily invests a client's entire portfolio in a single investment so that the price goes up, and then sells it quickly with the higher price.
Correct
14.
Question 14
Suppose Maria invests in futures. Which of the following is true?
1 / 1 point
Maria must negotiate a contract with another individual.
Maniala manain a canada vill la calidata da cala da vita a canada far misa alcanada
Maria's margin account will be adjusted each day to account for price changes.
Maria must be an employee at a warehouse because only they have the commodities to trade.

Maria is responsible for making margin calls to ensure that she has enough money to honor the price of her futures.
Correct
By investing in a futures contract, Maria must be able to pay the price of the future contract as it fluctuates.
15.
Question 15
Which of the following correctly define backwardation and contango?
1 / 1 point
Backwardation is when futures prices are above their expected price at maturity, whereas contango is when they are below their expected price at maturity.

Backwardation is when warehouses quote a negative storage cost, whereas contango is when they quote a positive storage cost.
Backwardation is when futures prices are below their expected price at maturity, whereas contango is when they are above their expected price at maturity.
Backwardation is when warehouses quote a positive storage cost, whereas contago is when they quote a negative storage cost.
Correct
16.
Question 16
What is the theoretical reason entions eviet?
What is the theoretical reason options exist?
1 / 1 point

Companies would like people to purchase put options for their stocks, because it reduces their risk. Call options serve as the natural extension of put options.
A single stock price does not represent a single risk; it represents many risks, which matter in different ways to different people.
Companies would like people to purchase call options for their stocks, because then it reduces their risk. Put options serve as the natural extension of call options.
Options serve the same role as insurance for investors, because they are able to insure themselves against large losses for long periods of time.
Correct
In many situations, people could reduce risk through options.
17.
Question 17

Why does the put-call parity relationship only come close to holding, but not predict the exact price?
1 / 1 point
In practice, excessive amounts of arbitrage weakens the strength of the relationship.
European-style options add complexities not present in American-style options.
Transaction costs cause the prices to be slightly different from the prediction.
The put-call parity relationship is a theoretical finding which cannot be expected to hold in practice.
Correct
Transaction costs are not modeled in the put-call parity relationship.

Question	18
----------	----

What was the most remembered aspect of the Glass-Steagall Act of 1933?
1 / 1 point
It officially legalized insider trading.
It inspired a series of related laws across Europe.
It specified that a single company cannot be both an investment bank and a commercial bank.
It required that every commercial bank also offer investment banking.
Correct
This act was later repealed, so this no longer holds true.

19.
Question 19
A limit buy order is an order to buy stock that is executed
1 / 1 point
When the stock can be obtained at or below a specified price.
Immediately at the best available price
Immediately, at the last traded price
At the lowest available price
Correct

Question 20
Bankruptcy laws can make the government a shareholder in all businesses. Chapter 7 of the U.S. Bankruptcy Code (Liquidation) involves:
1 / 1 point
Paying off the existing debt of a firm and negotiating new debt contracts.
Taying on the existing dest of a firm and negotiating new dest contracts.
Terminating a firm and selling the assets based on their salvage value.
Restructuring the debt and equity side of the firm.
Trootastaring the dest and equity side of the infin.
Restructuring only the debt side of the firm.

Correct

21.	
Question 21	
In the U.S., the very first benefit corporation was created:	
1 / 1 point	
In New York (2005).	
In Illinois (2005).	
In Pennsylvania (2010).	
In Maryland (2010)	
Correct	