Quiz 4

Due Nov 30, 2016 at 11:30pm **Points** 100 **Questions** 32
Available Nov 30, 2016 at 8am - Dec 20, 2016 at 11:30pm 21 days **Time Limit** 30 Minutes

Instructions

-Time allowed:30 minutes

-There are 30 Questions in total

-Please note that each questions carries different weight of points. Manage your time properly

-Once you start the quiz, there are no break nor pause, if you accidentally close the browser, but open it again ASAP as the time counter still counting the time even you close the browser/logoff during the quiz.

FOR ALL CALCULATIONS PLEASE CHOOSE CLOSEST ANSWER (DUE TO POSSIBLE ROUNDING)

This quiz is no longer available as the course has been concluded.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	30 minutes	68 out of 100

Score for this quiz: **68** out of 100
Submitted Nov 30, 2016 at 4:09pm
This attempt took 30 minutes.

Question 1

3 / 3 pts

Which US regulator oversees systemic risk?

- The Fed
- The SFC
- Correct! The FSOC
- The FSB

Question 2

3 / 3 pts

Which is its equivalent in the EU?

- ECB
- ESMA

Correct!

- ESRB
- BCBS

Question 3

0 / 3 pts

Which type of risk have regulators globally been trying to identify and manage through the set up of the Financial Stability Board and similar regional boards?

You Answered

- Operational risk

Correct Answer

- Systemic risk
- Credit risk
- Counterparty risk

Question 4

3 / 3 pts

What are CAMELS ratings and what are they used for?

- Credit rating agencies use them to valuate emerging countries sovereign debt risks
- Credit bureaus and scoring agencies use this system to design credit scores for consumers
- Fund managers use them to identify liquidity indicators

Correct!

- Central banks use this system in their examinations of banks to evaluate the risk of the bank

Question 5

3 / 3 pts

In the US, Reg B is intended to:

- Protect the banks from default

Correct!

- Protect customers against discrimination

- Provide customers with easily comparable information

Question 6

3 / 3 pts

The increased integration of financial markets across countries and the need to make the playing field equal for banks from different countries led to the Basel agreement (Basel I) to

Correct!
- standardize bank capital requirements internationally.
- reduce, across the board, bank capital requirements in all countries.
- sever the link between risk and capital requirements.
- do all of the above

Question 7

3 / 3 pts

Under Basel I what amount of capital do the banks have to maintain as a proportion of their risk weighted assets?

- 5%
- 3%

Correct!
- 8%
- 12%

Question 8

3 / 3 pts

Which type of risk was added in the coverage of capital requirement under Basel II?

- Credit risk
- Market risk

Correct!
- Operational risk
- Systemic risk

- Counterparty risk

Question 9

0 / 3 pts

Fat Finger Capital Management manages a Global Macro hedge fund for Ultra HNWI with a 2/20 fee structure and high watermark. Launched in 2010 the fund achieved the highest NAV of $100 per share. At the end of the next year, due to EU sovereign debt crisis and the reach of the U.S national debt limit, the fund's NAV plunged to $70 per share. At the end of 2012, as the severity of EU sovereign debt crisis subsides, the NAV rebounds to $90 per share. On which amount of gain in NAV can the fund manager collect performance fee from the fund clients at the end of 2012?

- $20
- $90
- You Answered: $100
- Correct Answer: The fund manager cannot collect performance fee from clients

Question 10

0 / 3 pts

Glass-Steagall Act is an example of which type of banking regulation?

- You Answered: Bank supervision
- Disclosure requirements
- Restrictions on asset holdings
- Consumer Protection
- Correct Answer: Restrictions on competition
- Prudential ratios

Question 11

3 / 3 pts

One problem of the "too-big-to-fail" policy is that it _________ the incentives for _________ by big banks.

- reduces; moral hazard

Correct!

- increases; moral hazard
- reduces; adverse selection
- increases; adverse selection

Question 12

3 / 3 pts

Which of the following are common characteristics of both hedge funds and private equity funds?

- A. Organizational structure as partnerships
- B. Fee structure with a combination of management fee and performance fee
- C. High denomination
- D. High portfolio diversification
- A, B and C
- B, C and D
- A, C and D

Correct!

- A, B and D
- All of the above
- None of the above

Question 13

3 / 3 pts

One of the main issues US banks have with the Basel III definition of the leverage ratio is:

- The level of the ratio is too high
- The definition of capital is too narrow
- The risk weight categories applicable to assets are too simple and not well defined

Correct!

- The computation of assets looks at gross asset value even if collateral and netting is available

Question 14

3 / 3 pts

The minimum return necessary for a hedge fund manager to start collecting incentive fees is called the:

- High water mark
- Beta
- Alpha
- Correct! Hurdle rate

Question 15

2 / 2 pts

Which measure did the PBOC (China's central bank) recently introduce which is part of the government safety net?

- Correct! Deposit insurance
- Lender of last resort

Question 16

3 / 3 pts

Which of the below strategies can help hedge funds and private equity funds limit problems due to panicked redemption demands from investors?

- Lock up rules
- Side pockets
- Long redemption periods
- Correct! All of the above
- None of the above

Question 17

3 / 3 pts

In HK, which is the banking regulator?

- SFC
- MPFA
- Correct! HKMA
- ICAC

Question 18

2 / 2 pts

The government organization responsible for the conduct of monetary policy in the United States is the U.S. Treasury.

- True
- Correct! False

Question 19

2 / 2 pts

In the US, to be classified as a well-capitalized bank, a bank's leverage ratio must exceed 8 percent.

- True
- Correct! False

Question 20

4 / 4 pts

A stock will pay a dividend of $1 in 1 year from now, then the dividend will grow by 3% annually for ever. The expected return is 5%. What should be the share price today?

- $45
- $47
- Correct! $50

- $55

Question 21

4 / 4 pts

A stock will pay a dividend of $1 in 1 year from now, then the dividend will grow by 6% annually. Then after the payment of the dividend in year 4, the dividend will growth at 3% annually for ever. The expected return is 6%. What should be the share price at the end of year 3?

Correct!
- 39.33
- 29.50
- 15.78

Question 22

3 / 3 pts

A stock will pay a dividend of $1 in 1 year from now, then the dividend will grow by 6% annually. Then after the payment of the dividend in year 4, the dividend will growth at 3% annually for ever. The expected return is 6%.

In the case above, what should be the share price today?

- 26.84

Correct!
- 35.85
- 47.55

Question 23

0 / 3 pts

The annual return of a stock is normally distributed with a 7% mean and a 6% volatility; give a 99% confidence interval for its return in one year?

- -7.48% < Return < 25.48%

Correct Answer
- -8.48% < Return < 22.48%

You Answered
- -9.48% < Return < 21.48%

Question 24

0 / 4 pts

The annual return of a stock is normally distributed with a 5% mean and a 2% volatility, what is the worst case scenario for its return in one year with a 2.5% chance of error?

Correct Answer
- 1.08%.

You Answered
- 2.05%

- 1.78%

Unanswered

Question 25

0 / 4 pts

Stock A has a 10% expected return and a 0.0049 variance. Stock B has a 6% expected return and a 0.0064 variance. The covariance between A and B is -0.00168. Calculate the volatility of A and B

- Vol of A:6% vol of B: 8%
- Vol of A: 7% vol of B: 9%

Correct Answer
- Vol of A: 7% vol of B: 8%

- Vol of A: 8% vol of B: 7%

Unanswered

Question 26

0 / 3 pts

Stock A has a 10% expected return and a 0.0049 variance. Stock B has a 6% expected return and a 0.0064 variance. The covariance between A and B is -0.00168.

In the case above, calculate the correlation between A and B

- +0.10

Correct Answer
- -0.30

- -.025

Unanswered

Question 27

0 / 3 pts

Stock A has a 10% expected return and a 0.0049 variance. Stock B has a 6% expected return and a 0.0064 variance. The covariance between A and B is -0.00168.

In the case above, calculate the expected return of a portfolio with 50% of A and 50% of B?

Correct Answer
- 8%
- 10%
- 6%
- 12%

Unanswered

Question 28

0 / 3 pts

Stock A has a 10% expected return and a 0.0049 variance. Stock B has a 6% expected return and a 0.0064 variance. The covariance between A and B is -0.00168.

In the case above, calculate the volatility of a portfolio with 64% of A and 36% of B?

Correct Answer
- 4.54%
- 3.54%
- 5.45%
- 4.75%

Unanswered

Question 29

0 / 3 pts

Stock A has a 10% expected return and a 0.0049 variance. Stock B has a 6% expected return and a 0.0064 variance. The covariance between A and B is -0.00168.

Using the stock data above, if the Risk Free rate is 2%, calculate the Sharpe Ratio for a portfolio with 64% A and 36% B?

- 1.89

Correct Answer
- 1.45
- 2.12
- 1.23

Question 30

4 / 4 pts

Stock A has a 10% expected return and a 8% volatility. Stock B has a 6% expected return and a 5% volatility. Stock C has a 5% expected return and a 7% volatility. The correlation between A and B is 0.8. The correlation between A and C is -0.4. The correlation between B and C is -0.7. Calculate the expected return of a portfolio equally weighted in A, B, C.

- 3%
- 5%
- Correct! 7%
- 9%

Question 31

4 / 4 pts

The market has a 5% expected return and a 3% volatility. The risk free rate is 1%. Stock A has a 8% volatility. The covariance between A and the market is 0.0014. Calculate the Beta of A?

- Correct! 1.56
- 1.76
- 2.14

Question 32

4 / 4 pts

In the case above, calculate the expected return of A

- 6.24%
- Correct! 7.24%
- 8.54%

Quiz Score: **68** out of 100