

Quiz 3

Due Nov 17, 2017 at 11:30pm **Points** 100 **Questions** 46
Available Nov 17, 2017 at 8am - Dec 15, 2017 at 11:30am 28 days
Time Limit 30 Minutes

Instructions

-Time allowed:30 minutes

-There are 46 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.

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

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	27 minutes	94 out of 100

Score for this quiz: **94** out of 100

Submitted Nov 17, 2017 at 3:22pm

This attempt took 27 minutes.

Correct!

Question 1

2 / 2 pts

Which is the largest institutional investor by AuM?

- ☒ a) Traditional institutional investors like Pension and Retirement Funds
- ☐ b) Alternative investors like Hedge Funds

Question 2

2 / 2 pts

When a life-long chain smoker attempts to purchase a life insurance policy, the insurance company faces the problem of adverse selection.

Correct!

☒ True

☐ False

Question 3

2 / 2 pts

Demographic trends and changes in retirement patterns suggest that Social Security funding problems will ease over the next few decades.

☐ True

Correct!

☒ False

Question 4

2 / 2 pts

Money market mutual funds originated when the brokerage firm Merrill Lynch offered its customers an account from which funds could be taken to purchase securities and into which funds could be deposited when securities were sold.

Correct!

☒ True

☐ False

Question 5

2 / 2 pts

The increase in the number of defined contribution pension funds has slowed the growth of mutual funds.

Correct!☐ True☒ False**Question 6****2 / 2 pts**

In the US, Social Security is a _____

☐ fully funded pension plan.☐ federally insured private pension plan☐ government sponsored private pension plan.**Correct!**☒ "pay-as-you-go" system**Question 7****2 / 2 pts**

Which of the following is not a proposal for insuring that sufficient funds will be available to provide Social Security benefits to future retirees?

Correct!☒ Provide more generous annual cost of living increases.☐ Raise the minimum age for receiving benefits.☐ Reduce the amount of future benefits.**Question 8****2 / 2 pts**

A Named Perils insurance policy insures against any losses

Correct!☒ only from perils specifically named in the policy (e.g. flood insurance)



except from perils specifically named in the policy (e.g. homeowners insurance)

Question 9**2 / 2 pts**

Which principle of insurance most differentiates insurance from derivatives?

☐ Principle of Utmost Good Faith☐ Law of Large Numbers☒ Principle of Indemnity**Correct!****Question 10****0 / 2 pts**

Which of the following does not help people during their retirement?

☐ Term life insurance☐ Annuity☒ Whole life insurance☐ Universal life insurance**Correct Answer****You Answered****Question 11****4 / 4 pts**

A company's pension plan promises employees a specific amount of income when they retire. However, the plan does not have the assets to meet these future obligations to employees. This plan represents a defined-_____ plan that is _____.

Correct!

- ☒ benefits; underfunded
- ☐ benefits; overfunded
- ☐ contribution; underfunded
- ☐ contribution; overfunded

Question 12**4 / 4 pts**

To prevent adverse selection, health and life insurance companies may do all the following EXCEPT

- ☐ charge higher premiums to people with certain pre-existing health conditions.
- ☐ require potential policyholders to submit medical records.
- ☐ refuse to sell policies to people with certain pre-existing health conditions
- ☒ charge the same premiums to all policyholders

Correct!**Question 13****2 / 2 pts**

A “Cat bond” is an example of:

- ☐ Annuities
- ☒ Insurance Linked Securities
- ☐ D&O insurance
- ☐ Named Peril Insurance
- ☐ None of the above

Correct!

Question 14**2 / 2 pts**

A mutual fund's board of directors picks the securities that will be held and makes buy and sell decisions.

☐ True☒ False**Correct!****Question 15****2 / 2 pts**

If you were a board member of a Chinese company listed in the US, which type of insurance contract should you get to cover risks related to your role on the board?

☐ Named perils policy☐ Term life insurance☒ D&O liability insurance☐ Annuity**Correct!****Question 16****2 / 2 pts**

The MPF in Hong Kong is not:

☐ Mandatory☐ Portable☒ Government managed☐ Members choice**Correct!**

Question 17**2 / 2 pts**

Which principle of insurance explains why you can buy health insurance cheaper through your employer than individually?

Correct!

- ☐ Insurable Interest
- ☒ Law of Large Numbers
- ☐ Indemnity

Question 18**2 / 2 pts**

How do insurance companies make money?

Correct!

- ☐ Paying out less in claims than they receive in premiums
- ☐ Investing the float to generate income
- ☒ Premiums less claims paid plus investment income less operational expenses
- ☐ None of the above

Question 19**2 / 2 pts**

What was the goal of Obamacare?

Correct!

- ☒ Ensuring that all Americans had health insurance
- ☐ Ensuring that all Americans had life insurance
- ☐ Ensuring that insurance companies were properly regulated in the US

Question 20**2 / 2 pts**

One key issue for investors in collective investment funds is the costs involved. One of the metrics used to compare funds is the TER (Total Expense Ratio). Which of the following costs is not included in the TER?

Correct!

- ☐ Annual management fee
- ☒ Dealing costs
- ☐ Administration and legal fees
- ☐ Distribution fees

Question 21**2 / 2 pts**

In the US “breaking the buck” refers to a situation where:

Correct!

- ☐ the Euro spot price (EUR/USD) falls below 1 USD
- ☒ a Money Market Mutual Fund (MMMF)’s NAV (Net Asset Value) goes below \$1
- ☐ the NAV of a mutual fund exceeds \$1 per share

Question 22**2 / 2 pts**

Imagine that HKSAR Government issues a Cat Bond linked to a severe earthquake. What will happen to investors if the earthquake takes place (meeting the criteria of the bonds)

Correct!

- ☐ Investors will get the coupons and principal
- ☐ Investors will get the principal
- ☒ Investors will lose the principal

Question 23**2 / 2 pts**

In Hong Kong, the SFC is responsible for

Correct!

- ☐ Approving retail investment products
- ☒ Authorizing offering documents of retail investment products
- ☐ Assessing whether a product is suitable for individual investors

Question 24**2 / 2 pts**

Why does the SFC (and other regulators) worry about the rapid growth of synthetic ETFs?

Correct!

- ☐ They don't understand the products
- ☒ They worry that investors don't realize they are taking counterparty exposure
- ☐ They worry about systemic risk

Question 25**2 / 2 pts**

Which of the below standards best protect investors?

Correct!

- ☒ Fiduciary duty of financial advisors
- ☐ Suitability assessment by financial advisors

Question 26**2 / 2 pts**

_____ intermediation means that small investors can pool their funds with other investors to purchase high face value securities.

- ☐ liquidity
- ☐ financial
- ☒ denomination
- ☐ share

Correct!

Question 27

2 / 2 pts

Mutual funds offer investors all of the following except

- ☒ greater-than-average returns.
- ☐ diversified portfolios.
- ☐ lower transaction costs.
- ☐ professional investment management.

Correct!

Question 28

4 / 4 pts

Most mutual funds are structured in two ways. The most common structure is a(n) _____ fund, from which shares can be redeemed at any time at a price that is tied to the asset value of the fund. A(n) _____ fund has a fixed number of nonredeemable shares that are traded in the over-the-counter market.

- ☐ closed-end; open-end
- ☒ open-end; closed-end
- ☐ no-load; closed-end

Correct!

☐ no-load; load

☐ load; no-load

Question 29**2 / 2 pts**

Which of the following is a feature of index funds?

☐ They have lower fees.

☐ They select and hold stocks to match the performance of a stock index.

☐ They do not require managers to select stocks and decide when to buy and sell.

Correct!

☒ All of the above.

Question 30**2 / 2 pts**

A defined-contribution plan promises employees a specific amount of retirement income.

☐ True

Correct!

☒ False

Question 31**2 / 2 pts**

The net asset value per share of a mutual fund is

Correct!

determined by subtracting the fund's liabilities from its assets and dividing by the number of shares outstanding.



determined by calculating the net price of the assets owned by the fund.



calculated every 15 minutes and used for transactions occurring during the next 15-minute interval.



calculated as the difference between the fund's assets and its liabilities.

Question 32**2 / 2 pts**

In the case of an insurance policy, _____ occurs when the existence of insurance encourages the insured party to take risks that increase the likelihood of an insurance payoff.

Correct!

moral hazard



opportunism



adverse selection



shirking

Question 33**2 / 2 pts**

To prevent the moral hazard problem, health and life insurance companies may write policies



that increase benefits dramatically once the policyholder is discovered to have contracted an illness so that the patient can recover sooner.

Correct!

containing provisions which either reduce or eliminate benefits to persons who contract pre-specified illnesses.



boosting the amount the companies will pay health providers in the event that claims are submitted by policyholders.



with only (a) and (b) of the above provisions.

Question 34**0 / 2 pts**

A whole life insurance policy pays a death benefit if the policyholder dies.

Correct Answer☐ True**You Answered**☒ False**Question 35****2 / 2 pts**

Which of the following pensions does NOT promise employees a specific retirement benefit?

☐ defined-benefit plan☒ defined-contribution plan☐ overfunded plan.☐ underfunded plan.**Correct!****Question 36****2 / 2 pts**

Which of the following is NOT a key element of SWFs:

Correct!

- ☐ Owned by the general government
- ☒ Invests solely in domestic assets
- ☐ Invests to achieve financial objectives
- ☐ Invests on a global basis

Question 37

2 / 2 pts

Which voluntary code of conduct did major SWFs sign?

Correct!

- ☐ Equator Principles
- ☒ Santiago Principles
- ☐ Basel Principles
- ☐ New York Principles

Question 38

2 / 2 pts

When a HNWI invests in young companies to help them grow we call this

Correct!

- ☒ Angel investing
- ☐ VC fund
- ☐ PE fund

Question 39

2 / 2 pts

A fund that invests in very young companies that only have a prototype is typically called

Correct!

- ☒ Seed (VC) fund
- ☐ Growth (VC) Fund
- ☐ Development (VC) fund
- ☐ PE fund

Question 40

3 / 3 pts

Your friend, who is in his final year of engineering studies at HKUST, has discovered a way of making tele-transportation work. He is now looking to build a prototype of his machine, and asks for your guidance in seeking funding to start his new business. Which type of financial institution would you recommend he try?

Correct!

- ☐ A commercial bank
- ☐ A PE fund
- ☒ A seed (venture capital) fund
- ☐ A mutual fund

Question 41

3 / 3 pts

What kind of risk are regulators increasingly worried about in relation with the fund management industry, which the Reserve Fund crisis and the more recent UK Property Funds crisis have highlighted, and for which regulators are setting up new sets of regulations such as redemption gates?

- ☐ Operational risk
- ☐ Currency risk

Correct!

- ☒ Liquidity risk
- ☐ Commodity risk
- ☐ None of the above

Question 42**2 / 2 pts**

In 1989 a large conglomerate, RJR Nabisco, was taken over in a highly publicized hostile takeover involving substantial amounts of debt by a financial firm named KKR. This is an example of:

- ☐ Distressed investing by a vulture fund
- ☐ Seed investing by a venture capital firm
- ☒ Leveraged buy-out by a private equity firm

Correct!**Question 43****2 / 2 pts**

By law, investors must be given a portion of the registration statement before they can invest in a new security. This document is called a

- ☒ prospectus.
- ☐ proxy statement.
- ☐ fiduciary warrant.
- ☐ debenture.

Correct!**Question 44****0 / 2 pts**

Venture capital firms are usually organized as

Correct Answer

You Answered

☐ closed-end mutual funds.☐ limited partnerships.☒ corporations.☐ nonprofit businesses.**Question 45****2 / 2 pts**

(In the US) IRAs are

Correct!

☒ individual pension plans.☐ government pension plans.☐ corporate pension plans.☐ public pension plans.**Question 46****2 / 2 pts**

A fund that invests in companies to take them private is typically called

Correct!

☐ VC fund☒ PE fundQuiz Score: **94** out of 100