Question #1 of 45

Question ID: 1462892

According to typical commercial industry classification systems, which of the following industries is classified in the consumer discretionary sector?

A) Apparel.

B) Tobacco.

C) Internet services.

Question #2 of 45

Question ID: 1458253

The competitive forces identified by Michael Porter include:

A) power of existing competitors and threat of entry.

B) rivalry among existing competitors and power of buyers.

C) threat of substitutes and rivalry among suppliers.

Question #3 of 45

Question ID: 1458258

Market share stability within an industry is *least likely* to result from a high level of:

A) product innovation.

B) switching costs.

C) barriers to entry.

Question #4 of 45

Question ID: 1458252

Economic profits are *most likely* to be earned by firms in an industry that is characterized by:

A) high barriers to entry and low power of buyers.

B) low threat of substitutes and high rivalry among existing competitors.

C) high power of suppliers and low threat of entry.

Question #5 of 45

Question ID: 1458233

Commercial industry classification systems such as the Global Industry Classification Standard (GICS) typically classify firms according to their:

A) correlations of historical returns.

B) principal business activities.

C) sensitivity to business cycles.

Question #6 of 45

Question ID: 1458238

Starr Company is an asset management firm. Thomas Company is a manufacturer of apparel. Assuming these firms are representative of their industry groups, how are they *best* classified with regard to their sensitivity to the business cycle?

	Starr	Thomas
A)	Cyclical	Cyclical
B)	Non-cyclical	Non-cyclical
C)	Cyclical	Non-cyclical

Question #7 of 45

Question ID: 1458246

A manager tells a research analyst, "A thorough industry analysis should use more than one approach to estimate industry variables," and "An analyst should not compare his valuations to those of other analysts." Which of these two statements is (are) CORRECT?

A) Both of these statements are accurate.

B) Neither of these statements is accurate.

C) Only one of these statements is accurate.

Question #8 of 45

Question ID: 1458251

The threat of substitutes is *most likely* to be low for a firm that:

A) produces a commodity product in an industry with significant unused capacity.

B) produces a differentiated product with high switching costs.

C) operates in a fragmented market with little unused capacity.

Question #9 of 45

Question ID: 1458255

A firm is *most likely* to have pricing power if it operates in an industry characterized by:

A) high concentration, undercapacity, and high market share stability.

B) high concentration, undercapacity, and low market share stability.

C) low concentration, overcapacity, and high market share stability.

Question #10 of 45

Question ID: 1458272

A firm that pursues a differentiation strategy is *most likely* to emphasize:

A) gains in market share.

B) market research.

C) operating efficiency.

Question #11 of 45

Question ID: 1462890

Which of the following classifications of firms is *least likely* to comprise cyclical firms?

A) Telecommunications.

B) Technology.

C) Housing.

Question #12 of 45

Question ID: 1458248

In the industry life cycle, the growth stage is typically followed by a:

A) mature stage.

B) shakeout stage.

C) decline stage.

Question #13 of 45

Question ID: 1458263

Declining prices that result from the development of substitute products are *most likely* to characterize an industry in the:

A) decline stage.

B) mature stage.

C) shakeout stage.

Question #14 of 45

Question ID: 1458244

For relative valuation, a peer group is *best* described as companies:

A) at a similar stage of the industry life cycle.

B) in a similar sector or industry classification.

C) with similar business activities and competitive factors.

Question #15 of 45

Question ID: 1462894

Over the past few years, the companies in an industry have experienced positive but decreasing profitability and growth rates. The companies have begun to compete intensely with each other and customers switch frequently among brands. This industry's life-cycle stage is *most accurately* described as:

A) shakeout.

B) growth.

C) maturity.

Question #16 of 45

Question ID: 1458234

Auto manufacturers and home builders would *most likely* be grouped together in an industry classification system based on:

A) products and services.

B) sensitivity to business cycles.

C) returns correlations.

Question #17 of 45

Question ID: 1462891

A conglomerate is in the following lines of business, with segment revenue as a percentage of total revenue: 30% banking, 30% automobiles, 25% apparel, and 15% heavy machinery. Based on the Global Industry Classification Standard, the sector classification for this company is *most likely*:

A) consumer discretionary.

B) financial services.

C) industrials.

Question #18 of 45

Question ID: 1458269

In which of the following industries are technological factors *least likely* a significant influence?

A) Pharmaceuticals.

B) Oil services.

C) Confections.

Question #19 of 45

Question ID: 1458271

An aggressive price reduction to gain market share is *most likely* to be associated with a:

A) service differentiation strategy.

B) product differentiation strategy.

C) cost leadership strategy.

Question #20 of 45

Question ID: 1458264

Which of the following statements about the industry life cycle is *most* accurate?

A) Industry growth rates are highest in the embryonic stage.

B) The growth stage is typically characterized by decreasing prices.

C) The mature stage is followed by a shakeout stage and a decline stage.

Question #21 of 45

Question ID: 1458236

Which of the following industries is *most likely* to be classified as non-cyclical?

A) Autos.

B) Utilities.

C) Housing.

Question #22 of 45

Question ID: 1458231

Industry analysis is *most likely* to provide an analyst with insight about a company's:

A) competitive strategy.

B) financial performance.

C) pricing power.

Question #23 of 45

Question ID: 1458262

Wallace Kidwell is classifying an industry as to its life-cycle stage. Kidwell notes that the industry's growth is stable and largely limited to replacement demand and overall population increases. The companies that comprise the industry have achieved efficient cost structures and strong brand loyalty. This level of brand loyalty has resulted in very few price wars. Kidwell will *most likely* classify the industry life cycle stage as being:

A) Mature.

B) Shakeout.

C) Decline.

Question #24 of 45

Question ID: 1458266

Technological changes are *most likely* to result in which of the following effects? Evolving technology is likely to result in changes in:

A) the relative demand for various products only.

B) educational curriculum only.

C) educational curriculum and the relative demand for various products.

Question #25 of 45

Question ID: 1458242

Food, beverage, and utility companies are examples of:

A) cyclical industries.

B) declining industries.

C) defensive industries.

Question #26 of 45

Question ID: 1458235

Commercial index providers typically classify companies by:

A) sensitivity to business cycles.

B) principal business activity.

C) statistical grouping.

Question #27 of 45

Question ID: 1458237

A firm's earnings are *most likely* to be cyclical if:

A) the firm operates in a growth industry.

B) the firm produces luxury items.

C) most of the firm’s costs depend on its level of output.

Question #28 of 45

Question ID: 1458267

Changes in population size and average age that affect industry growth and profitability are *best* described as:

A) demographic influences.

B) macroeconomic influences.

C) social influences.

Question #29 of 45

Question ID: 1458249

The experience curve, which illustrates the cost per unit relative to output:

A) slopes upward in the early years and downward in the later years.

B) slopes upward.

C) slopes downward.

Question #30 of 45

Question ID: 1458273

After completing a thorough industry analysis, which of the following is *most likely* an additional element an analyst should examine when analyzing a specific company within the industry?

A) Competitive strategy.

B) Power of buyers.

C) Threat of entry.

Question #31 of 45

Question ID: 1458250

Factors that increase competition in an industry *most likely* include:

A) low barriers to entry, low concentration, and high unused capacity.

B) low barriers to entry, high concentration, and high unused capacity.

C) high barriers to entry, low concentration, and low unused capacity.

Question #32 of 45

Question ID: 1462895

Which of the following industries is *best* described as non-cyclical and defensive?

A) Consumer staples.

B) Energy.

C) Technology.

Question #33 of 45

Question ID: 1458261

Pricing power and return on invested capital are likely to be greatest for firms in an industry characterized by:

A) high concentration and high variability in firms’ market shares.

B) overcapacity and high barriers to entry.

C) undercapacity and high switching costs.

Question #34 of 45

Question ID: 1458257

Which of the following conditions is *most likely* to indicate that barriers to entry into an industry are low?

A) Market shares have been stable over the last two business cycles.

B) The industry has significant economies of scale.

C) Investment capital is available at low cost.

Question #35 of 45

Question ID: 1458243

When classifying companies into peer groups for analysis, an analyst should:

A) disregard industry classifications from commercial providers.

B) examine firms’ annual reports to see if they identify competitors.

C) include each company in only one peer group.

Question #36 of 45

Question ID: 1458247

The industry experience curve illustrates the relationship between:

A) company age and profitability.

B) cumulative output and cost per unit.

C) productivity and average years of employment.

Question #37 of 45

Question ID: 1458245

When constructing a peer group of firms, an analyst should *least* appropriately consider the firms':

A) cost structures.

B) business cycle sensitivity.

C) industry classification.

Question #38 of 45

Question ID: 1458254

Which of the following statements about switching costs is *most accurate*?

A) Switching costs include the time needed to learn to use a competitor's product.

B) Low switching costs contribute to market share stability.

C) Switching costs tend to be lower for specialized products.

Question #39 of 45

Question ID: 1458240

Which of the following types of industries is typically characterized by above-normal expansion in sales and profits independent of the business cycle?

A) Defensive.

B) Growth.

C) Counter-cyclical.

Question #40 of 45

Question ID: 1458239

Which of the following types of industries is typically characterized by stable performance during both expansions and contractions of the business cycle?

A) Growth.

B) Defensive.

C) Cyclical.

Question #41 of 45

Question ID: 1458270

Which of the following industries is likely to be *most* sensitive to the business cycle?

A) Pharmaceutical.

B) Confectionery.

C) Automobile.

Question #42 of 45

Question ID: 1458232

During the contraction phase of the business cycle, how will an active portfolio manager using an industry rotation strategy *most likely* treat stocks of companies in a cyclical industry?

A) Underweight the industry.

B) Maintain the target weight of the industry.

C) Rotate out of the industry.

Question #43 of 45

Question ID: 1458259

A firm is *most likely* to have pricing power if:

A) costs to exit the industry are high.

B) its market share is high.

C) its product is differentiated.

Question #44 of 45

Question ID: 1458256

Pricing power for the firms in an industry is *most likely* to result from low:

A) barriers to entry.

B) industry concentration.

C) levels of capacity.

Question #45 of 45

Question ID: 1462893

High return on invested capital and high pricing power are *most likely* to be associated with an industry that has:

A) low barriers to entry.

B) high capacity.

C) high concentration.