Question #1 of 49

Question ID: 1462881

Which type of equity market index is *most likely* to be adjusted for free float?

A) Price weighted.

B) Value weighted.

C) Fundamental weighted.

Question #2 of 49

Question ID: 1458141

The providers of the Smith 30 Stock Index remove Jones Company from the index because it has been acquired by another firm, and replace it with Johnson Company. This change in the index is *best* described as an example of:

A) reconstitution.

B) rebalancing.

C) redefinition.

Question #3 of 49

Question ID: 1458119

Six months after inception, the price return and the total return of an equal-weighted index will be different if:

A) capital gains exceed capital losses or vice versa.

B) constituent securities have paid dividends.

C) market prices have not changed.

Question #4 of 49

Question ID: 1458114

In one year, a security market index has the following quarterly price returns:

First quarter	3%
Second quarter	4%
Third quarter	-2%
Fourth quarter	5%

The price return for the year is *closest to*:

A) 10.00%.

B) 10.2%.

C) 9.9%.

Question #5 of 49

Question ID: 1458126

With regard to stock market indexes, it is *least likely* that:

A) buying 100 shares of each stock in a price-weighted index will result in a portfolio that tracks the index quite well.

B) the use of price weighting versus market value weighting produces a downward bias on the index.

C) a market-cap weighted index must be adjusted for stock splits but not for dividends.

Question #6 of 49

Question ID: 1458154

Which of the following is NOT a reason bond market indexes are more difficult to create than stock market indexes?

A) There is a lack of continuous trade data available for bonds.

B) The universe of bonds is much broader than that of stocks.

C) Bond deviations tend to be relatively constant.

Question #7 of 49

Question ID: 1458121

The target market for a security market index is *best* described as the:

A) investors who will follow the index.

B) market or segment the index is designed to measure.

C) portfolio managers who will track the index.

Question #8 of 49

Question ID: 1458139

Compared to a value-weighted index, the type of index *most likely* to have a value tilt is a(n):

A) equal-weighted index.

B) fundamental-weighted index.

C) price-weighted index.

Question #9 of 49

Question ID: 1462882

A high yield bond fund states that through active management, the fund's return has outperformed an index of Treasury securities by 4% on average over the past five years. As a performance benchmark for this fund, the index chosen is:

A) inappropriate, because the index return does not reflect active management.

B) inappropriate, because the index does not reflect the actual bonds in which the fund invests.

C) appropriate.

Question #10 of 49

Question ID: 1458145

Contreras Fund is a mutual fund that invests in value stocks. The *most appropriate* type of equity index to use as a benchmark of manager performance for Contreras Fund is a:

A) style index.

B) broad market index.

C) sector index.

Question #11 of 49

Question ID: 1458125

Which of the following statements about indexes is CORRECT?

A) A price-weighted index assumes an equal number of shares (one of each stock) represented in the index.

B) A market weighted series must adjust the denominator to reflect stock splits in the sample over time.

C) An equal weighted index assumes a proportionate market value investment in each company in the index.

Question #12 of 49

Question ID: 1458133

The table below lists information on price per share and shares outstanding for three stocks.

	As of Beginning of Year		As of End of Year	
Stock	**Price per Share ($)**	**# Shares Outstanding**	**Price per Share ($)**	**# shares Outstanding**
Mertz	10	10,000	15	10,000
Norton	50	5,000	50	5,000
Rubble	100	500	85	500

At the beginning of the year, the value of a market-cap weighted index of these three stocks was 100. The index value at year-end is *closest to:*

A) 44.3.

B) 93.8.

C) 110.6.

Question #13 of 49

Question ID: 1462883

Creating a bond market index is more difficult than constructing a stock market index due to:

A) a narrower universe of bonds versus stocks.

B) lack of continuous trade data for bonds.

C) lower price volatility of bonds versus stocks.

Question #14 of 49

Question ID: 1458117

An index provider maintains a price index and a total return index for the same 40 stocks. Assuming both indexes begin the year with the same value, the total return index at the end of the year will *least likely* be:

A) equal to the price index if the constituent stocks do not pay dividends.

B) greater than the price index.

C) less than the price index if the price index increases and greater than the price index if the price index decreases.

Question #15 of 49

Question ID: 1458147

An equity index comprised of value stocks, identified by their price-to-earnings ratios, is *best* described as a:

A) sector index.

B) style index.

C) fundamental weighted index.

Question #16 of 49

Question ID: 1458123

Assume a stock index consists of many firms who have recently split their stock. Which of the following weighting schemes will see a bias due to the impact of stock splits?

A) Market value-weighted series.

B) Price-weighted series.

C) Unweighted price series.

Question #17 of 49

Question ID: 1458113

Which of the following statements about a security market index is *most accurate*?

A) If an index increases by 5% in one year, the market return for the year is 5%.

B) An index must use actual prices from market transactions.

C) An index may reflect dividends paid by its constituent securities.

Question #18 of 49

Question ID: 1458159

Which of the following statements is *most accurate* regarding commodity indexes?

A) Commodity indexes are based on spot prices, while most investors purchase futures contracts.

B) The return to commodity indexes consists of two major components: the risk-free rate of return and the roll yield.

C) Weighting methodology varies among index providers and leads to differences in index risk and returns.

Question #19 of 49

Question ID: 1458120

The first step in developing a security market index is choosing the index's:

A) constituent securities.

B) target market.

C) weighting method.

Question #20 of 49

Question ID: 1458146

An analyst using the capital asset pricing model is *most likely* to use a security market index as a proxy for:

A) the market return.

B) beta.

C) the risk-free rate.

Question #21 of 49

Question ID: 1458116

The value of a total return index:

A) is determined by the price changes of the securities that constitute the index.

B) may increase at either a faster or slower rate than the value of a price return index with the same constituent securities and weights.

C) can be calculated by multiplying the beginning value by the geometrically linked series of periodic total returns.

Question #22 of 49

Question ID: 1458150

Which of the following sets of indexes are price-weighted?

A) Dow Jones Industrial Average and Nikkei Dow Jones Stock Market Average.

B) Dow Jones World Stock Index and Russell Index.

C) S&P 500 Index and Dow Jones Industrial Average.

Question #23 of 49

Question ID: 1458134

An index was recently begun with the following two stocks:

- Company A – 50 shares valued at $2 each.
- Company B – 10 shares valued at $10 each.

Given that the value-weighted index was originally set at 100 and Company A's stock is currently selling for $4 per share while Company B's stock is still at $10 per share, what is the current value of the price-weighted index and the market-cap-weighted index?

	Price-weighted	Market-cap-weighted
A)	7	150
B)	7	300
C)	8	150

Question #24 of 49

Question ID: 1458149

Which of the following indexes is a price weighted index?

A) The New York Stock Exchange Index.

B) The Nikkei Dow Index.

C) The Standard and Poor's Index.

Question #25 of 49

Question ID: 1458138

The table below lists information on price per share and shares outstanding for three companies–Lair Enterprises, Kurlew, Inc., and Mowe, Ltd.

	As of Beginning of Year		As of End of Year	
Stock	**Price Per Share ($)**	**# Shares Outstanding**	**Price Per Share ($)**	**# Shares Outstanding**
Lair	15	10,000	10	10,000
Kurlew	45	5,000	60	5,000
Mowe	90	500	110	500

Assume that at the beginning of the year, the value of the market-weighted index was 100. The one-year return on the market-cap weighted index is *closest* to:

A) 13.33%.

B) 30.0%.

C) 8.33%.

Question #26 of 49

Question ID: 1458153

Which of the following statements regarding bond market indexes is *least accurate*?

A) The bond universe is more stable than the stock universe.

B) There are more bond issues than stocks.

C) Unlike stocks, bonds lack continuous price trading data.

Question #27 of 49

Question ID: 1458135

What is the price-weighted index of the following three stocks?

As of December 31, 2001		
Company	**Stock Price**	**Shares Outstanding**
A	$50	10,000
B	$35	20,000
C	$110	30,000

A) 80.

B) 75.

C) 65.

Question #28 of 49

Question ID: 1458155

Ken Miller, CFA, wants to compare the returns on government agency bonds to the returns on corporate bonds. Peg Egan, CFA, wants to compare the returns on high yield bonds in developed markets to the returns on investment grade bonds in emerging markets. Which of these analysts is *most likely* able to use bond indexes for their analysis?

A) Both of these analysts.

B) Neither of these analysts.

C) Only one of these analysts.

Question #29 of 49

Question ID: 1458115

The measure of return on a security market index that includes any dividends or interest paid by the securities in the index is known as the:

A) price return.

B) total return.

C) cash flow return.

Question #30 of 49

Question ID: 1458131

The type of index weighting that produces a portfolio similar to that of a momentum strategy is an index with weights that are:

A) based on fundamentals.

B) based on market capitalization.

C) equal.

Question #31 of 49

Question ID: 1458140

Reconstitution of an index refers to:

A) removing some securities from the index and adding others.

B) changing the methodology used to calculate the value of the index.

C) adjusting the weights of the securities that constitute the index.

Question #32 of 49

Question ID: 1462879

Compared to S&P 500 index weighting, an equities index that is weighted based on a fundamental factor, such as earnings, will *most likely*:

A) have a value tilt.

B) have a momentum tilt.

C) overweight firms with high EPS.

Question #33 of 49

Question ID: 1458152

Which of the following equity indexes is an example of a market capitalization weighted index?

A) Dow Jones Industrial Average.

B) MSCI All Country World Index.

C) Nikkei Stock Average.

Question #34 of 49

Question ID: 1458142

When a security is added to a widely followed market index, the security's price is *most likely* to:

A) be unaffected.

B) decrease.

C) increase.

Question #35 of 49

Question ID: 1458151

Equal weighting is the most common weighting methodology for indexes of which of the following types of assets?

A) Equities.

B) Fixed income securities.

C) Hedge funds.

Question #36 of 49

Question ID: 1462878

Which type of stock index must be adjusted for stock splits?

A) Market capitalization weighted index.

B) Equal weighted index.

C) Price weighted index.

Question #37 of 49

Question ID: 1458144

The *most* appropriate benchmark for measuring the relative performance of an investment manager is:

A) an index that matches the manager's investment approach.

B) the risk-adjusted return on the market portfolio.

C) a broad market index.

Question #38 of 49

Question ID: 1458156

Which of the following statements regarding fixed income indexes is *most accurate*?

A) Because some fixed income securities are illiquid, indexes may include estimates of value.

B) Compared to stock indexes, turnover is typically lower in fixed income indexes.

C) It is typically easier for portfolio managers to replicate a fixed income index than an equity index.

Question #39 of 49

Question ID: 1458158

Commodity price indexes are based on the prices of:

A) commodities.

B) futures contracts.

C) real assets such as grains, oil, and precious metals.

Question #40 of 49

Question ID: 1458136

What is the market-cap weighted index of the following three stocks assuming the beginning index value is 100 and a base value of $150,000?

As of December 31		
Company	**Stock Price**	**Shares Outstanding**
X	$1	5,000
Y	$20	2,500
Z	$60	1,000

A) 30.

B) 100.

C) 77.

Question #41 of 49

Question ID: 1462880

The type of securities market index that has a bias toward value stocks is an index with weights based on:

A) earnings.

B) security prices.

C) market capitalization.

Question #42 of 49

Question ID: 1458112

When using a security market index to represent a market's performance, the performance of that market over a period of time is *best* represented by:

A) the index value.

B) the change in the index value.

C) the percent change in the index value.

Question #43 of 49

Question ID: 1458122

Which of the following is *least likely* required when defining a security market index? The:

A) number of securities in the index.

B) target market the index will represent.

C) weighting method for the index.

Question #44 of 49

Question ID: 1458118

The value of a security market index at the end of December is 1,200. The index returns for the next six months are:

Month	Return
January	3.89%
February	8.76%
March	−4.74%
April	6.88%
May	−5.39%
June	−8.12%

The index value at the end of June is *closest to*:

A) 1,186.

B) 1,214.

C) 1,200.

Question #45 of 49

Question ID: 1458160

Voluntary reporting of performance by hedge fund managers leads to:

A) a downward bias in hedge fund index returns.

B) an upward bias in hedge fund index returns.

C) no appreciable bias in hedge fund index returns.

Question #46 of 49

Question ID: 1458132

James Investments is calculating an equally weighted index on a four stock portfolio.

Stock	Number of Shares	Initial Cost	Current Cost
W	100	5.00	5.00
X	1,000	10.00	12.50
Y	500	7.50	10.00
Z	1500	5.00	8.00

If the initial index value is 100, the current index is *closest* to:

A) 129.5.

B) 142.6.

C) 137.9.

Question #47 of 49

Question ID: 1458137

Use the data below to determine which of the statements is *most* accurate?

As of December 31		
Company	**Stock Price**	**Shares Outstanding**
A	$25	20,000
B	$50	20,000
C	$100	10,000

A) For a given percentage change in the stock price, Company A will have a greater impact on the market-cap weighted index than Companies B or C.

B) For a given percentage change in the stock price, Company B will have less of an impact on the market-cap weighted index as Company C.

C) A 100% increase in the stock price of Company A will have a smaller impact on the price-weighted index than a 100% increase in the stock price of Company C.

Question #48 of 49

Question ID: 1458148

The Top Banking Index contains stocks in the finance industry that represent more than 90% of the total market capitalization for the finance industry. The index is *best* described as a:

A) broad market index.

B) sector index.

C) style index.

Question #49 of 49

Question ID: 1458124

Which of the following statements *best* describes the investment assumption used to calculate an equal weighted price indicator series?

A) A proportionate market value investment is made for each stock in the index.

B) An equal dollar investment is made in each stock in the index.

C) An equal number of shares of each stock are used in the index.