



EXAMINATION

FOP100

Finance & Politics – re-exam

Finans och Politik – omtentamen

Date	2025-02-22
Time	9:15 – 14:15
Examiner	Anna Golec
Teacher	Anna Golec
Visit	Nej /No
Phone	0 732 507 708
Permitted aid	Calculator (no restrictions on a type), English dictionary,
Questions	50+7+3
Pages	14 (including cover)
Max points	100
Grading levels	F, E,D,C,B,A (51% for E, upgrade every 10%)
Date for result	latest 2025-03-17

State your anonymity code and page number on all sheets that you hand in.

Please do not use red ink and make sure your handwriting is legible.

Good luck!

FOP100HT24 - Formulas

Simple interests:

$$FV_n = CF_0 \times (1 + n \times r)$$

Compound interests:

$$FV_n = CF_0 \times (1 + r)^n$$

$$PV_0 = \frac{CF_n}{(1 + r)^n}$$

$$r = \sqrt[n]{\frac{FV_n}{PV_0}} - 1$$

Annuities:

$$PV_n = A \times \frac{(1 + r)^n - 1}{(1 + r)^n \times r} \qquad A = PV_0 \times \frac{(1 + r)^n \times r}{(1 + r)^n - 1}$$

$$FV_n = A \times \frac{(1 + r)^n - 1}{r} \qquad A = FV_n \times \frac{r}{(1 + r)^n - 1}$$

Section I: Multiple choice questions (50 points - 1 answer correct)

Q	Answer	Q	Answer	Q	Answer	Q	Answer	Q	Answer
1		11		21		31		41	
2		12		22		32		42	
3		13		23		33		43	
4		14		24		34		44	
5		15		25		35		45	
6		16		26		36		46	
7		17		27		37		47	
8		18		28		38		48	
9		19		29		39		49	
10		20		30		40		50	

- Risk and return in finance are:
 - Positively correlated with each other.
 - Negatively correlated with each other.
 - Not correlated with each other.
- The fact that rational investors are considered to be generally risk-averse means that:
 - They are reluctant refuse taking risk.
 - They prefer safer investments over risky ones.
 - They can accept higher investment risk only if the risk-taking is adequately rewarded
- Diversification can be best explained by a popular saying that:
 - Nothing ventured, nothing gained.
 - You should not put all the eggs in one basket.
 - Money does not grow on trees.
- A classification of financial market segments by nature of the claim would result in division into:
 - Primary Market and Secondary Market.
 - Spot Market and Future Market.
 - Debt Market and Equity Market.
- A bank that provides investment advice and assists issuers in raising capital or M&A transactions is a:
 - A commercial bank.
 - An investment bank.
 - A central bank.

6. A system where a bank takes deposits and issues loans is a typical example of:
 - A. Indirect finance.
 - B. Direct finance.
 - C. Alternative finance.
7. Which of the following statements is **false**?
 - A. The return that the investors require depends i.a. on the risk-free rate.
 - B. Spread is the difference between risk free rate and the return on risky investments.
 - C. The returns on assets are stable over time.
8. A corporate bond purchased by a bank is a good example of:
 - A. Tangible asset.
 - B. Intangible asset.
 - C. Financial Asset.
9. Holding cash in order just in case of a sudden need is called :
 - A. Transaction motive.
 - B. Precautionary motive.
 - C. Speculative motive.
10. Banknotes that derive its value from the trust in government and is backed by law is an example of:
 - A. Representative money.
 - B. Fiduciary money.
 - C. Fiat money.
11. A type of security analysis that relies on price and trading volume patterns, trends and sentiment is called:
 - A. Fundamental analysis.
 - B. Technical analysis.
 - C. Portfolio analysis.
12. A phenomenon that the companies that are most likely to default (=go bankrupt) are the most likely to seek a loan is called:
 - A. Adverse selection.
 - B. Moral hazard.
 - C. Information asymmetry.
13. A general tendency that people tend to exit profitable investments too early and keep unprofitable investment for too long in hope for “catching up” is an example of:
 - A. Illusion of control bias.
 - B. Endowment bias.
 - C. Loss aversion bias.

14. Homo oeconomicus concept:
- A. Is a key assumption of behavioral finance.
 - B. Assumes that people always behave rationally.
 - C. Deals with cognitive and emotional biases of individuals .
15. Base rate neglect is a type of bias that should be classified as:
- A. Belief perseverance bias.
 - B. Information processing bias.
 - C. Emotional bias.
16. Money market is a segment of financial market that deals with:
- A. Short term debt instruments.
 - B. Long term loans.
 - C. Newly established, innovative companies.
17. Eurodollars are:
- A. Dollar deposits outside the US.
 - B. Dollar deposits in Europe only.
 - C. Euro deposits in the US.
18. A financial instrument that would give you the right to vote on issues important for the company's future is:
- A. A mutual fund unit.
 - B. A bond.
 - C. A common stock.
19. IPO in finance is an abbreviation for
- A. First security offering targeted at a wide range of potential investors with an intention to enter stock exchange listings.
 - B. The institution responsible for financial market oversight.
 - C. An element of the financial statement of the company.
20. Which of the following **is not** a commonly recognized credit rating agency?
- A. Moody's
 - B. Standard & Poor's
 - C. Goldman Sachs
21. An "investment grade" instrument would be one that is rated:
- A. AAA only.
 - B. BBB- or higher.
 - C. BB+ or lower.
22. Rating scales do not apply to:
- A. Shares.
 - B. Debt instruments.
 - C. Countries.

23. Holding a presentation (typically very short) in front of potential investors to raise fund for a new venture is called:
- A. Crowdfunding.
 - B. Bootstrapping.
 - C. Pitching.
24. A privately held company that grew from a start-up and has a value exceeding 1 billion USD is called a/an:
- A. Gazelle.
 - B. Rocket.
 - C. Unicorn.
25. A document regulating details about covenants, interest payments, and maturity date of a bond issuance is called:
- A. A default.
 - B. An indenture.
 - C. A swap.
26. A typically key difference between common and preferred stock is that:
- A. Common stockholders receive fixed dividends, while preferred stockholders do not
 - B. Preferred stockholders have a higher claim on assets and earnings than common stockholders
 - C. Common stockholders have voting rights, while preferred stockholders usually do not
27. What is the key difference between ADRs and GDRs?
- A. ADRs are traded on U.S. exchanges, while GDRs are traded in multiple global markets
 - B. ADRs represent ownership in government bonds, while GDRs represent equity in companies
 - C. ADRs are used for technology companies, while GDRs are used for industrial firms
28. Which of the following is an example of a stock market index?
- A. MaXX50.
 - B. Sang Ning Composite.
 - C. Dow Jones Industrial Average.
29. If the capital market valuations oscillate around a stable level with no clear upward or downward trend, then it would be called:
- A. A bear market.
 - B. A bull market.
 - C. Neither a bear nor bull market.

30. One of the main differences between forward and future contracts are that:
- A. Forward contracts have lower counterparty risk than future contracts.
 - B. Futures are standardized while forwards have individually negotiable terms.
 - C. Forward contract relates to a single transaction while future contract covers a series of transactions.
31. Which of the derivative products has the obligations of the buyer and seller that are not symmetrical (one party has more rights than the other):
- A. A forward contract.
 - B. An option.
 - C. A swap contract.
32. So called “hard commodities **do not** include:
- A. Energy resources.
 - B. Metals.
 - C. Agricultural products.
33. Spreading rumors about the company in order to manipulate its share price is called:
- A. Ramping.
 - B. Cornering.
 - C. Algorithm spoofing.
34. An investor, who believes that the markets are almost perfectly efficient should:
- A. Actively seek for mispriced securities.
 - B. Conduct frequent buy and sell transactions on their portfolio assets to harvest low but frequent profits.
 - C. Passively follow a market index in their investment strategy, focusing on minimising investment costs .
35. Among the “founding fathers” of behavioral finance one should name:
- A. Michael Porter and Peter Drucker.
 - B. Amos Tversky and Daniel Kahneman.
 - C. Warren Buffet and Eugene Fama.
36. A transfer agent is primarily responsible for:
- A. Certifying the mutual fund’s financial statements.
 - B. Executing shareholders’ transactions related to the mutual fund and maintaining adequate records.
 - C. Selling mutual fund’s shares.
37. Long term, regular saving plans are good example of which of the following financial markets’ function?
- A. Maturity intermediation.
 - B. Risk sharing.
 - C. Timing consumption needs.

38. Which of the following benefits are typical advantage of an “umbrella fund”:
- A. Deferring tax payments on capital gains.
 - B. Spreading risks over multiple assets.
 - C. Denomination intermediation.
39. An investment fund, whose primary strategy focuses delisting companies from stock exchange to operate it as a private company is classified as a:
- A. Venture capital fund.
 - B. Buyout fund.
 - C. Vulture fund.
40. Which of the following is a typical feature of on ETF:
- A. It is pooled investment fund that trades on stock exchanges like individual stocks.
 - B. It offers higher returns than typical mutual fund but has higher fees.
 - C. The shares are valued only once per day.
41. Which of the following sentences about basic principles of insurance is true?
- A. The insurance beneficiary can get profit as a result of insurance coverage.
 - B. The loss being subject to insurance must be quantifiable.
 - C. The beneficiary of insurance policy does not have to be affected by the negative event in any way.
42. When an insurance policy covers all events except the ones explicitly specified in the document then it represents:
- A. Casualty insurance.
 - B. Named-peril policy.
 - C. All-risk policy.
43. A public-private-partnership is an increasingly common approach to investing in:
- A. Infrastructural projects.
 - B. Industrial real estate segment.
 - C. Agriculture.
44. A major difference between cryptocurrencies and NFTs relates to:
- A. Technology used to back the projects.
 - B. Interchangeability.
 - C. Volatility of returns.
45. Among common examples of unethical behaviour in financial profession one can name:
- A. Bootstrapping.
 - B. Misseling.
 - C. Syndicating.

46. Cressey's Fraud Triangle outlines three conditions that foster financial crime and unethical behaviours. These are:
- A. Incentive, Opportunity, Rationalization.
 - B. Pressure, Capability, Temptation.
 - C. Greed, Competence, Intent.
47. State guaranteed deposit insurance for individuals was introduced in reaction to:
- A. The financial crisis in 2008.
 - B. The Dot-Com bubble in the early 2000.
 - C. The Great Depression in the 1930s.
48. Sustainable growth includes 3 main dimensions:
- A. Environmental Responsibility, Economic Efficiency and Social Solidarity.
 - B. Climate Action, No Poverty and Responsible Consumption.
 - C. Equality, Peace and Justice and High Economic Growth.
49. Which of the following instruments offer the most flexibility in how the issuer uses the proceeds?
- A. Green Bonds.
 - B. Sustainability-Linked Bonds.
 - C. Social Impact Bonds.
50. What is the primary purpose of EU Taxonomy of Sustainable Activities?
- A. To define which economic activities are considered environmentally sustainable.
 - B. To classify EU businesses according to their sustainability level.
 - C. To introduce financial penalty fees for companies polluting the environment.

Section II: Open response questions (35 points)

Please be precise and brief, do not drift away from what is asked in the question.

The space provided for each question is enough to write the sufficiently detailed answer.

Illegible writing will not be decrypted.

- A. Explain what is moral hazard and provide one example related to real life, illustrating the phenomenon.(5 points)

- B. Explain what is defined as “greenwashing” and provide one example related to real life (4 points)

- C. List 4 possible reasons that may be the cause of economic crisis in a developing economy. (You do not need to discuss them) (4 points)

- D. Explain what does the process of securitization in finance relate to and how does it work (5 points)

E. Name and discuss in one sentence the main 3 forms of market efficiency. (6 points)

F. List 3 (*and only 3, any additional will not be taken into consideration*) basic principles of finance and discuss each of them in 2 sentence (6 points)

- G. Do you agree with the following statement?: “ When making a deposit, it is better to choose more frequent capitalisation, even at the cost of substantially lower interest rate that is offered”. Provide a brief (max 2 sentences) explanation to support your argumentation. (5 points)

Section III: Calculation tasks (15 points – 5 points each)

Provide answer to the following tasks with 2 digits accuracy (X,XX) – minor rounding errors are accepted (+/- 1). In case of wrong answer, partial points are possible, if you provide your calculations, that prove you were correct to a certain point.

I.	What will be the value of your investment if you deposit 40.000,00 EUR for 7 years with semi-annual capitalisation of interests (compound). Assume that the interest rate will be 8% p.a.
Solution:	
Result:	

II. If you expect to inherit 3.000.000,00 SEK in 6 years from now, how much is this estate worth today, assuming 4% interest p.a. in the first 4 years and 5% p.a. in the remaining ones?

Solution:

Result:

III. If a 25-year old investor saves annually \$4.000,00 until the age of 65, how much extra income can they receive if they plan to withdraw the money for the next 15 years and the expected interest rates are 5%p.a.

Solution:

Result: