

Question 1 of 25

The real risk-free interest rate is *most appropriately* described as:

- A. the nominal rate minus inflation.
 - B. the expected inflation rate multiplied by the nominal rate.
 - C. the sum of the real risk-free rate plus inflation and a risk premium.
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Question 2 of 25

At year end, a bondholder reviews performance records of a INR 1,000 par value bond. The holding period return of the security is 3.0%. If the beginning price of the bond was INR 998 and the ending price of the bond was INR 1,008, the bond's interest income for the period was *closest* to:

- A. INR 19.94
 - B. INR 29.94
 - C. INR 39.94
-

Question 3 of 25

The holding period return (HPR) for an investment purchased for \$75 and sold for \$85 with dividends of \$5 received during the period is *closest* to:

- A. 7%.
 - B. 13%.
 - C. 20%.
-

Question 4 of 25

An investor creates a portfolio by purchasing one share of each of the following three stocks at the beginning of 20X1, shown below:

Stock	Price (€)	
	Jan 1, 20X1	Dec 31, 20X1
X	50	54
Y	50	52
Z	50	58

Stock Y pays a dividend of €5 during 20X1. At the end of 20X1, the investor sells Stock Z for €58. Based on this information, the investor's realized return on the portfolio is *closest* to:

- A. 3.33%
- B. 8.67%
- C. 12.67%

Question 5 of 25

An analyst gathers the following information on three investments with a two-year holding period:

Investment	Type of Return	Returns (%)
X	Holding period return over two years	8.0
Y	Holding period return each year for two years	3.9
Z	Continuously compounded return for two years	7.9

Which investment *most likely* has the highest continuously compounded return over the two-year period?

- A. Investment X
- B. Investment Y
- C. Investment Z

Question 6 of 25

If an asset's two-year continuously compounded return is 13.42%, then its holding period return for the same period is *closest* to:

- A. 13.00%
 - B. 13.87%
 - C. 14.36%
-

Question 7 of 25

The price of silver is \$14.00 per ounce at the beginning of the year and \$14.50 at the end of the year. The continuously compounded rate of return for silver is *closest* to:

- A. 3.51%
 - B. 3.57%
 - C. 3.64%
-

Question 8 of 25

An investor bought 200 shares at \$20.35 per share on February 15 and sold the shares at \$17.77 on April 1. He received \$50 in dividends on March 2. The investor's holding period return is *closest* to:

- A. -13.11%
 - B. -12.68%
 - C. -11.45%
-

Question 9 of 25

An investor purchased 1,000 shares of stock at \$20 per share. After two years, all shares were sold for \$15 per share. A dividend of \$2 per share was paid for each year during the holding period. What is the total return on each share?

- A. -25%
 - B. -5%
 - C. 45%
-

Question 10 of 25

An asset's one-year continuously compounded return is 9.2%. Assuming no income from the asset, if its beginning price is BRL 136.50, then its price at the end of one year (in BRL) is *closest* to:

- A. 149.06
 - B. 149.65
 - C. 150.33
-

Question 11 of 25

An asset's present value is £1,150 and its annual continuously compounded rate of return is 5.9%. Assuming no income, if the asset is sold in 4 years, its value (in £) is *closest* to:

- A. 1,220
 - B. 1,446
 - C. 1,456
-

Question 12 of 25

An investor purchases stock for \$20 and sells it for \$14. On the date of sale, the stock paid a \$1 dividend. The investor's continuously compounded rate of return for the investment is *closest* to:

- A. -25.0%
 - B. -28.8%
 - C. -35.7%
-

Question 13 of 25

A manager buys 500 shares of a stock at \$15.00 per share at the beginning of the year. At the end of the year, the stock's price appreciates to \$18.50. If this stock pays its annual dividend of \$0.50 at the end of the year, then the manager's holding period return is *closest* to:

- A. 21.6%
 - B. 23.3%
 - C. 26.7%
-

Question 14 of 25

In portfolio management, it is assumed that the expected return is:

- A. never equal to the historical mean return.
 - B. equal to the historical mean return over the next 30 years.
 - C. equal to the historical mean return over a future period of unknown length.
-

Question 15 of 25

An analyst compares portfolios in which the amount invested changes each year. Which of the following is the *most appropriate* measure for the analyst to use in comparing the portfolios' returns over a multiyear period?

- A. Holding period return
 - B. Arithmetic mean return
 - C. Geometric mean return
-

Question 16 of 25

The following table shows an investment's closing price on each day:

Date	Closing Price
March 1	50
April 1	74
May 1	65

Based only on this information, the continuously compounded return of the investment from March 1 to May 1 is *closest* to:

- A. 23.1%
 - B. 26.2%
 - C. 30.0%
-

Question 17 of 25

An investment fund holds investments X, Y, and Z. An analyst reviews the following information:

	20X8		20X9	
	Allocation	Annual Return	Allocation	Annual Return
Investment X	0.40	0.30	0.30	0.25
Investment Y	0.05	0.10	0.10	0.10
Investment Z	0.55	0.20	0.60	-0.10

The geometric mean return for the fund over two years is *closest* to:

- A. 12.5%
- B. 13.0%
- C. 14.0%

Question 18 of 25

An analyst records the price of an asset over a two-year period:

Time (years)	Price (AUD)
0	99
1	105
2	113

Based only on price, the asset's Year 1 continuously compounded return is *closest* to:

- A. 5.88%
- B. 6.06%
- C. 6.41%

Question 19 of 25

One year ago, an individual taxpayer invested SGD 25 million in a portfolio of technology stocks. The investor has just sold this entire portfolio. The following data apply to this investor and transaction:

Percentage of investment financed	20.00%
Cost of loan (annual rate)	4.50%
Capital gains tax rate	35.00%
Holding period rate of inflation	2.90%
Investment return	17.34%

Ignoring any fees or commissions, the investor's holding period, leveraged, after-tax, real return on this investment is *closest* to:

- A. 8.14%
 - B. 10.17%
 - C. 11.15%
-

Question 20 of 25

A US-based taxpayer invests USD45,000 into a small-cap equity fund on January 1, 20X4. On December 31, 20X4, when the position is worth USD50,103, the investor liquidates the investment. Inflation for the year 20X4 is 3.10%.

If taxes are paid immediately upon sale at a 20% capital gains tax rate, the investor's after-tax real return for the year is *closest* to:

- A. 5.79%
 - B. 5.97%
 - C. 9.07%
-

Question 21 of 25

An analyst gathers data on two portfolios:

Portfolio	% Debt	Borrowing Cost	Annual Returns	
			Year 1	Year 2
1	None	N/A	20.0%	-20.0%
2	60%	5.0%	20.0%	-20.0%

Including the effects of leverage, which portfolio's 2-year holding period return is *most likely* greater?

- A. Portfolio 1
- B. Portfolio 2
- C. Both portfolios' returns are equal

Question 22 of 25

An analyst gathered the following information about a company:

Current stock price = \$55

Expected growth rate = 6%

Cost of equity = 13%

The company's current dividend is *closest to*:

- A. \$3.85.
 - B. \$3.63.
 - C. \$3.54.
-

Question 23 of 25

An analyst has gathered the following data to calculate the expected return of an asset:

Selected data (%)	
Economic growth rate	2.0
Risk-free rate	3.0
Expected risk premium	4.0
Expected inflation	1.8

The asset's expected return is *closest* to:

- A. 7.99%
- B. 8.80%
- C. 9.05%

Question 24 of 25

An analyst gathers annual returns for an equity index:

20X4	7.0%
20X5	8.2%
20X6	7.5%

The average annual inflation rate was 2%, and the average real risk-free rate was 1%. Based on this information, the real rate of return on the equity index in geometric terms is *closest* to:

- A. 4.46%
 - B. 5.46%
 - C. 7.57%
-

Question 25 of 25

An analyst gathers the following information for an equity security:

- Required rate of return = 8.7%
- Real risk-free rate = 1.5%
- Expected inflation = 3.0%
- Value risk factor exposure = 1.0

Assuming no other risk premiums, the value risk premium is *closest* to:

- A.** 4.2%
 - B.** 5.7%
 - C.** 7.2%
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