Question #1 of 100

Question ID: 1261564

An analyst runs a regression of monthly stock returns on four independent variables over 48 months. From the regression, the total sum of squares (TSS) is computed as 580, and the residual sum of squares (RSS) is 220. The regression coefficient of determination (R^2) and the adjusted R^2 are closest to:

	R^2	Adjusted R^2
A)	62%	58.5%
B)	38%	41.5%
C)	62%	41.5%
D)	38%	58.5%

Question #2 of 100

Question ID: 1512577

Given the following information, which of the following amounts is closest to d(1.0), the discount factor for the first year?

	Bond A	Bond B	Bond C
Bond maturity in years	0.5	1	2
Coupon	6.00%	12.00%	9.00%
Price	101.182	102.341	99.573

A) 0.9099.
B) 0.9138.
C) 0.9655.
D) 0.9823.

Question #3 of 100

Question ID: 1512549

Which of the following option strategies is an example of a bull spread?

A) Buying a call option with a strike price of \$50 and selling a call option with a strike price of \$40.

B) Buying a put option with a strike price of \$40 and selling a put option with a strike price of \$50.

C) Buying a put option with a strike price of \$50 and selling a put option with a strike price of \$40.

D) Buying a put option with a strike price of \$50 and selling a call option with a strike price of \$40.

Question #4 of 100

Question ID: 1261539

A portfolio manager received a report on his fund's performance. According to the report, the portfolio return was 2.5% with a standard deviation of 21% and a beta of 1.2. The risk-free rate over this period was 3.5%, the downside deviation of the portfolio was 16%, and the tracking error of the fund was 2%. What is the difference between the value of the fund's Sortino ratio (assuming the risk-free rate is the minimum acceptable return) and its Sharpe ratio?

A) 0.563.

B) 0.347.

C) −0.053.

D) −0.015.

Question #5 of 100

Question ID: 1261560

An investment analyst calculated the intrinsic value of RTN Company and expects the stock to generate a 25% annual return over the foreseeable future. However, the analyst is concerned that her price forecast may be too high. She conducted a hypothesis test and concluded that at a 5% significance level, the null hypothesis can be rejected that RTN Company's investment return would be equal to or less than 25% per year. The one-tailed test utilized a *z*-test. Indicate the meaning of the significance level chosen by the analyst and state the correct rejection region.

	Significance level	Rejection region
A)	Reject a true null hypothesis 5% of the time.	$z > 1.645$
B)	Reject a false null hypothesis 95% of the time.	$z < -1.645$
C)	Reject a true null hypothesis 5% of the time.	$z < -1.645$
D)	Reject a false null hypothesis 95% of the time.	$z > 1.645$

Question #6 of 100

Question ID: 1512552

Assume a 3-year bond with a face value of $100 pays a 3.5% coupon on a semiannual basis. What is the price of the bond according to the following spot rates?

Maturity (years)	Spot rate (%)
0.5	2.20%
1.0	2.25%
1.5	2.30%
2.0	2.35%
2.5	2.40%
3.0	2.45%

A) 94.58.
B) 98.85.
C) 101.15.

D) 103.03.

Question #7 of 100

Question ID: 1512537

A futures trader enters a short position in a May wheat futures contract at USD 4.98 a bushel. The price of the previous day's May contract was USD 4.95. Each contract controls 5,000 bushels of wheat and has a daily price limit of $0.20. The initial margin is $2,500 and the maintenance margin is $1,800. During the day, a dramatic change in the weather caused large moves in the price of wheat futures and the contract closed the day limit up (i.e., the contract moved up by its daily price limit, or up $0.20 from the previous day). How much variation margin does the trader need to deposit in her account?

A) No deposit is needed because the contract closed limit up.
B) $150.
C) $850.
D) $1,000.

Question #8 of 100

Question ID: 1261545

The risk aggregation process includes breaking down, sorting, and merging data and datasets. Several benefits accrue to banks that have effective risk data aggregation and reporting systems in place. Which of the following statements do not describe a benefit of effective risk data aggregation?

A) Improved resolvability in the event of bank stress or failure.
B) The bank is better able to increase efficiency, reduce the chance of loss, and ultimately increase profitability.
C) It is easier to see problems on the horizon when risks are viewed individually rather than as a whole.
D) The bank is better able to make strategic decisions.

Question #9 of 100

Question ID: 1371790

ESG Product's research department developed a new type of environmentally friendly paper. The marketing department surveyed a random sample of 100 people. The survey is designed to gauge customer interest level in the new product. The sample indicates an average purchase of 2,500 reams per year with a variance of 160,000 reams. The researcher's supervisor is concerned that the sample size is too small. The researcher advises against increasing the sample size, stating that "there is a risk of sampling from more than one population." Determine the standard error of the sample mean and indicate whether the researcher's statement is correct or incorrect.

	Standard error	Researcher's statement
A)	8	Correct
B)	40	Incorrect
C)	8	Incorrect
D)	40	Correct

Question #10 of 100

Question ID: 1512564

Baker Ltd. offers its new employees a one-day training session that covers all aspects of enterprise risk, including financial risk. For the training, a risk manager has been asked by his supervisor to develop a presentation covering coherent risk measures. The first slide developed lists the four risk measures, along with a brief description for each measure. Which of the following descriptions accurately describes the defined risk measure?

A) Monotonicity implies that more risk is likely for portfolios with greater future returns.

B) Translation invariance states that adding sure amounts to a portfolio has a minimal impact to overall risk.

C) Subadditivity defines a risk ceiling for a portfolio, as overall portfolio risk cannot exceed the risk of its individual assets.

D) Positive homogeneity requires that assets contained within a portfolio should have positive correlations to minimize risk.

Question #11 of 100

Question ID: 1512589

You are given the following information about a call option:

- Time to maturity = 3 years.
- Continuous risk-free rate = 3%.
- Continuous dividend yield = 2%.
- $N(d_1) = 0.7$.

What is the delta of this option?

A) −0.64.
B) 0.36.
C) 0.66.
D) 0.70.

Question #12 of 100

Question ID: 1512539

A portfolio manager runs a large $400,000,000 long equity portfolio. Relative to the S&P 500, the manager's portfolio has a beta of 1.07. Currently, S&P futures are trading at 4,000, and the futures multiplier is 250. The manager wishes to create a hedge for his portfolio for the next four months using S&P futures. How many futures contracts should the manager buy or sell to hedge this portfolio?

A) Long hedge; 1,490 contracts.
B) Short hedge; 1,053 contracts.
C) Long hedge; 992 contracts.
D) Short hedge; 428 contracts.

Question #13 of 100

Question ID: 1512558

A fund manager holds a $75 million portfolio with a duration of nine and a one-year hedging horizon. There is an appropriate one-year futures contract quoted at 104.40625 with a duration of eight and a contract size of $100,000. Which of the following actions should the fund manager undertake to provide an appropriate hedge for small changes in yield?

A) Short 639 futures contracts.