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**AIU Exam – Investment Management**

**School:** Business & Economics

**Major:** Financial Econometrics

## **Introduction**

The course begins with an overview of the investment environment in developed markets, followed by a more in-depth analysis of key investment topics. These topics include a modern portfolio theory, asset pricing models, term structure of interest rates, stock and bond portfolio management, and evaluation of portfolio performance.

A portfolio, simply put, is a group of investments. These investments may include cash, common stocks, bonds, and real estate, among other assets, and are managed for a specific objective or purpose. Investment management which is also known as portfolio management, asset management, and money management is the process of managing a portfolio. Accordingly, the individual who manages a portfolio of investments is referred to as an asset manager, investment manager, portfolio manager, or money manager.

1. A weakness of SELECTIVELY Invest is that leverage in an investment is not captured
- (a) FALSE
  - (b) TRUE
  - (c) Uncertain

**Correct Answer : FALSE**

2. If Rs.10lakh is required in 10 years and inflation is expected to be 10%, then the money requirement in 10 years is given by
- (a) Rs. 10lakh X (1-10%)<sup>10</sup>
  - (b) Rs. 10lakh ÷ (1+10%)<sup>10</sup>
  - (c) Rs. 10lakh X (1+10%)<sup>10</sup>
  - (d) Rs. 10lakh ÷ (1-10%)<sup>10</sup>
  - (e) Uncertain

**Correct Answer : Rs. 10lakh X (1+10%)<sup>10</sup>**

3. With passive investment, the investor can avoid losses
- (a) FALSE
  - (b) TRUE
  - (c) Uncertain

**Correct Answer : FALSE**

4. What drives the performance of asset classes?
- (a) local economy
  - (b) global economy
  - (c) Neither 1 nor 2
  - (d) Both 1 and 2
  - (e) Uncertain

**Correct Answer : Both 1 and 2**

5. 'RESIDEX' is computed by

- (a) Crisil
- (b) I-Sec
- (c) NHB
- (d) HDFC

**Correct Answer : NHB**

6. Which of the following is / are growth asset/s?

- (a) Neither good nor real estate
- (b) Equity
- (c) Equity and Real Estate
- (d) real estate
- (e) **Uncertain**

**Correct Answer : Equity and Real Estate**

7. Taxable income up to Rs. \_\_\_\_\_ is exempt for Partnership Firms, for PY 2017-18

- (a) 1,80,000
- (b) nil
- (c) 2,00,000
- (d) 2,50,000
- (e) **Uncertain**

**Correct Answer : nil**

8. A benefit of holding physical gold is that wealth tax is not payable

- (a) FALSE
- (b) TRUE
- (c) **Uncertain**

**Correct Answer : FALSE**

9. Section 80C deduction is available for

- (a) individuals and partnership firms
- (b) individuals and HUF
- (c) individuals

- (d) all assesses
- (e) **Uncertain**

**Correct Answer : individuals and HUF**

10. High Treynor Ratio is indicative of better risk-adjusted performance in a comparison of similar schemes

- (a) TRUE
- (b) FALSE
- (c) **Uncertain**

**Correct Answer : TRUE**

11. In early stages of an economic recovery, which of the following sectors are likely to be preferred by equity investors?

- (a) mining
- (b) education
- (c) healthcare
- (d) fast moving consumer goods
- (e) **Uncertain**

**Correct Answer : mining**

12. Horses are illiquid and opaque assets

- (a) TRUE
- (b) FALSE
- (c) **Uncertain**

**Correct Answer : TRUE**

13. A debenture yields 10% p.a. payable semi-annually. It is to mature in 1 year at Rs.11lakh. What should be its value today, assuming yield on similar instruments is 9%

- (a) 100917.43
- (b) 105263.16
- (c) 101119.41
- (d) 105369.63
- (e) **Uncertain**

**Correct Answer : 101119.41**

14. An investor can never make a loss with a SIP

- (a) FALSE
- (b) TRUE
- (c) **Uncertain**

**Correct Answer : FALSE**

15. Favorable economic situations are suited for high yield spread investments

- (a) TRUE
- (b) FALSE
- (c) **Uncertain**

**Correct Answer : TRUE**

16. SIP is also referred to as 'rupee cost averaging'

- (a) TRUE
- (b) FALSE
- (c) **Uncertain**

**Correct Answer : TRUE**

17. Mark-to-market reflects the true value of an asset as it is decided with respect to the historical book value.

- (a) FALSE
- (b) TRUE
- (c) **Uncertain**

**Correct Answer : FALSE**

18. Lowest premium cost for the cover is payable on

- (a) term insurance
- (b) money back
- (c) endowment
- (d) Unit Life Insurance Plan
- (e) **Uncertain**

**Correct Answer : term insurance**

19. When an investor offers equity mutual fund units to the scheme for re-purchase, STT is applicable at

- (a) nil
- (b) 0.25%
- (c) 0.20%
- (d) 0.02%
- (e) **Uncertain**

**Correct Answer : 0.25 %**

20. Discount factor used in FCFF calculation is

- (a) cost of equity
- (b) WACC
- (c) risk-free rate of return
- (d) cost of debt
- (e) **Uncertain**

**Correct Answer : WACC**

21. Longer tenor securities fluctuate in value more than securities of shorter tenor

- (a) TRUE
- (b) FALSE
- (c) **Uncertain**

**Correct Answer : TRUE**

22. Margin calls come up only when the value of the position goes up

- (a) FALSE
- (b) TRUE
- (c) **Uncertain**

**Correct Answer : FALSE**

23. Which one of the following regulators regulates Real Estate in India?

- (a) RERA
- (b) SEBI
- (c) IBC

- (d) RBI
- (e) Uncertain

**Correct Answer : RERA**

24. A weakness of Financial Blood Test Report is that it does not capture insurance

- (a) FALSE
- (b) TRUE
- (c) Uncertain

**Correct Answer : FALSE**

25. The financial planner's fundamental role is to ensure that the client has adequate to meet various financial goals.

- (a) property
- (b) gold
- (c) money
- (d) cash
- (e) Uncertain

**Correct Answer : money**

26. Short term capital loss under Income Tax Act, 1961 is to be set off against long term or short-term gains

- (a) TRUE
- (b) FALSE
- (c) Uncertain

**Correct Answer : TRUE**

27. Beta requires only one series of data, while standard deviation requires two series

- (a) FALSE
- (b) TRUE
- (c) Uncertain

**Correct Answer : FALSE**

28. An investor who expects share prices to go down will

- (a) buy put or write call



- (b) buy put
- (c) write call
- (d) buy call or write put
- (e) **Uncertain**

**Correct Answer : buy put or write call**

**29.** Index funds are less risky than value funds

- (a) FALSE
- (b) TRUE
- (c) **Uncertain**

**Correct Answer : FALSE**

**30.** Gold fund of fund units can be converted into physical gold only for large investments (e.g. 1 kg)

- (a) FALSE
- (b) TRUE
- (c) **Uncertain**

**Correct**

**Answer: False**

## **Conclusion**

Every investment is inherently connected with risk. Its existence and diversity among various types of investments is one of the driving forces behind the development of the capital market. The risk has also caused emergence and development of alternative investments. Flourishment of this segment of the market has also been influenced by periodical financial crises, which have been the driving force behind the search for investments that would allow investment portfolio diversification and would provide opportunities for profiting, even during price declines on the market. Alternative investments constitute an effective tool for risk diversification, however, they are not suitable for all investors

Institutional investors, including the banks, pension funds, large companies as well as individual investors within the wealth management sector, constitute a dominant group of the investors on the alternative investments market. Investors considering such investments should rely on their own preferences regarding the acceptable risk as well as on the entities acting as the trustees of the investors' assets. Often, it is the experience gained during management of own alternative investment portfolio, which allows verification and assessment of the acceptable level of the risk, definition of the maximum loss tolerance, and designation of achievable financial targets.

## **References:**

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