19 Lecture - MGT201

Important Subjective

1. What is risk in the context of single stock investment, and why is it important to consider?

Answer: Risk refers to the likelihood that an investment may not achieve its expected return or may even experience a loss. It is important to consider because higher returns are usually associated with higher risks. Therefore, investors must balance their risk tolerance with their investment goals.

- 2. What is the measure of risk associated with a stock, and how is it calculated?

 Answer: The measure of risk associated with a stock is typically calculated using standard deviation, which reflects the extent of fluctuations in the stock's returns over a given period.
- 3. What factors can contribute to risk in single stock investment, and how can investors manage it?

Answer: Factors that can contribute to risk in single stock investment include market volatility, company-specific risks, and external factors like political instability. Investors can manage risk through diversification, which involves spreading investments across different stocks or asset classes.

4. What is the relationship between risk and return in single stock investment, and why is it important to understand?

Answer: The relationship between risk and return in single stock investment is generally positive, meaning that higher returns are usually associated with higher risks. It is important to understand this relationship because investors must weigh the potential for higher returns against the potential for higher risks.

- 5. How do investors typically measure the risk of a single stock investment, and what is the significance of this measure?
 - Answer: Investors typically measure the risk of a single stock investment using standard deviation, which reflects the extent of fluctuations in the stock's returns over a given period. The significance of this measure is that it provides investors with a sense of how much the stock's returns might vary over time.
- 6. What is the meaning of return in single stock investment, and how is it calculated? Answer: Return in single stock investment refers to the profit or loss generated by an investment, which can be positive or negative. Return is typically calculated as the difference between the purchase price and the selling price of the stock, plus any dividends received.
- 7. What are some common sources of company-specific risk in single stock investment, and how can investors manage this risk?

Answer: Common sources of company-specific risk in single stock investment include changes in leadership, unexpected legal or regulatory changes, and shifts in consumer preferences. Investors can manage this risk by researching the company's history, leadership, financial health, and other factors that may impact its success.

8. What is the primary concern of investors when considering single stock investment, and how can this concern be addressed?

Answer: The primary concern of investors when considering single stock investment is to balance the potential for higher returns with the potential for higher risks. This concern can be addressed by diversifying investments across different stocks or asset classes.

9. What is market risk in single stock investment, and how is it different from companyspecific risk?

Answer: Market risk in single stock investment refers to the risk of a stock's price falling due to overall market trends. It is different from company-specific risk, which refers to risks specific to a particular company, such as changes in leadership or unexpected legal or regulatory changes.

10. What is the significance of risk management in single stock investment, and what are some common strategies for managing risk?

Answer: Risk management is significant in single stock investment because it allows investors to balance risk and return and achieve their investment goals. Common strategies for managing risk include diversification, setting stop-loss orders, and utilizing hedging techniques.