

# 20 Lecture - MGT201

## Important Mcqs

1. **What is the purpose of a probability graph in relation to single stock investment?**
- A) To show the trend of the stock price over time
  - B) To display the likelihood of different returns occurring
  - C) To predict the future price of the stock
  - D) To compare the stock to other investments

**Answer: B) To display the likelihood of different returns occurring**

2. **What does a normal distribution curve represent in a probability graph?**
- A) The actual return of the stock
  - B) The expected return of the stock
  - C) The likelihood of different returns occurring
  - D) The trend of the stock price over time

**Answer: C) The likelihood of different returns occurring**

3. **What is the coefficient of variation (CV) used for in single stock investment?**
- A) To predict the future price of the stock
  - B) To measure the standard deviation of the stock's returns
  - C) To compare the risk of different investments with different expected returns
  - D) To measure the average return of the stock

**Answer: C) To compare the risk of different investments with different expected returns**

4. **A higher coefficient of variation (CV) indicates:**
- A) A greater degree of risk
  - B) A lower degree of risk
  - C) A higher average return
  - D) A lower average return

**Answer: A) A greater degree of risk**

5. **What does the coefficient of variation (CV) compare in single stock investment?**
- A) The standard deviation of the stock's returns to its mean return
  - B) The stock's current price to its historical price
  - C) The stock's expected return to the market's expected return
  - D) The stock's dividend yield to its market value

**Answer: A) The standard deviation of the stock's returns to its mean return**

6. **Which of the following is a factor that can contribute to risk in single stock investment?**
- A) Market stability
  - B) Company-specific risks

- C) Low volatility
- D) Political stability

**Answer: B) Company-specific risks**

7. **What is the relationship between risk and return in single stock investment?**
- A) Positive
  - B) Negative
  - C) Neutral
  - D) It depends on the stock

**Answer: A) Positive**

8. **Which of the following strategies can be used to manage risk in single stock investment?**
- A) Diversification
  - B) Setting stop-loss orders
  - C) Utilizing hedging techniques
  - D) All of the above

**Answer: D) All of the above**

9. **Which statistical measure of risk allows investors to compare the risk of different investments with different expected returns?**
- A) Standard deviation
  - B) Coefficient of variation
  - C) Sharpe ratio
  - D) Beta coefficient

**Answer: B) Coefficient of variation**

10. **What is the purpose of risk management in single stock investment?**
- A) To eliminate all risk from the investment
  - B) To balance risk and return
  - C) To guarantee a certain level of return
  - D) To increase the risk of the investment

**Answer: B) To balance risk and return**