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