# 21 Lecture - MGT201

## Important Mcqs

1. **What is the main concept of the two-stock portfolio theory?**
A) Investing in two different stocks as a means of reducing investment risk.
B) Investing in two highly correlated stocks to increase portfolio risk.
C) Investing in a single stock to maximize portfolio risk.
Answer: A

2. **How can investors reduce portfolio risk through the two-stock portfolio theory?**
A) By investing in two highly correlated stocks.
B) By investing in a single stock.
C) By investing in two stocks that are not highly correlated.
Answer: C

3. **What is the expected return of a two-stock portfolio?**
A) It is the sum of the expected returns of each stock in the portfolio.
B) It is the average of the expected returns of each stock in the portfolio.
C) It is the weighted average of the expected returns of each stock in the portfolio.
Answer: C

4. **How does the correlation between two stocks in a portfolio affect the overall risk of the portfolio?**
A) Higher correlation leads to higher portfolio risk.
B) Lower correlation leads to higher portfolio risk.
C) Correlation has no impact on portfolio risk.
Answer: B

5. **What is diversification in the context of a two-stock portfolio?**
A) Spreading investments across multiple asset classes.
B) Spreading investments across multiple stocks.
C) Investing in a single stock.
Answer: B

6. **Which of the following is a potential benefit of the two-stock portfolio theory?**
A) Increased portfolio risk.
B) Decreased portfolio risk.
C) Increased portfolio returns.
Answer: B

7. How is portfolio risk calculated in the context of a two-stock portfolio?
A) It is the sum of the risks of each stock in the portfolio.
B) It is the average of the risks of each stock in the portfolio.
C) It is a function of the correlation between the two stocks.
Answer: C

8. **What is the expected return of a stock?**
   A) It is the return an investor can expect to receive on the stock.
   B) It is the price at which the stock is expected to be sold.
   C) It is the price at which the stock was purchased.
   Answer: A

9. **Which of the following factors is NOT considered when calculating the expected return of a two-stock portfolio?**
   A) The expected return of each individual stock in the portfolio.
   B) The correlation between the two stocks in the portfolio.
   C) The total amount invested in the portfolio.
   Answer: C

10. **Which of the following is an example of diversification in a two-stock portfolio?**
   A) Investing in two highly correlated stocks.
   B) Investing in a single stock.
   C) Investing in two stocks that are not highly correlated.
   Answer: C