22 Lecture - MGT201

Important Mcqs

1. **What is the efficient portfolio frontier?**
   a) The set of portfolios that offer the highest expected return for a given level of risk
   b) The set of portfolios that offer the lowest expected return for a given level of risk
   c) The set of portfolios that offer the highest risk for a given level of return
   d) The set of portfolios that offer the lowest risk for a given level of return

Answer: a) The set of portfolios that offer the highest expected return for a given level of risk

2. **What is the purpose of an efficient portfolio map?**
   a) To show the expected return and risk of various portfolios
   b) To show the expected return of various portfolios
   c) To show the risk of various portfolios
   d) None of the above

Answer: a) To show the expected return and risk of various portfolios

3. **What is the trade-off between risk and return?**
   a) Higher risk generally leads to higher return, and lower risk generally leads to lower return
   b) Higher risk generally leads to lower return, and lower risk generally leads to higher return
   c) Risk and return are unrelated
   d) None of the above

Answer: b) Higher risk generally leads to lower return, and lower risk generally leads to higher return

4. **Which of the following tools is used for portfolio risk analysis?**
   a) Efficient portfolio frontier
   b) Efficient portfolio map
   c) Both a and b
   d) None of the above

Answer: c) Both a and b

5. **What does the efficient portfolio frontier show?**
   a) The set of portfolios that offer the highest expected return for a given level of risk
   b) The set of portfolios that offer the lowest expected return for a given level of risk
   c) The set of portfolios that offer the highest risk for a given level of return
   d) The set of portfolios that offer the lowest risk for a given level of return

Answer: a) The set of portfolios that offer the highest expected return for a given level of risk

6. **What is the optimal portfolio?**
   a) The portfolio with the highest expected return

b) The portfolio with the lowest risk
c) The portfolio that meets the investor's specific investment objectives
d) None of the above

Answer: c) The portfolio that meets the investor's specific investment objectives

7. **What is the co-variance between two assets in a portfolio?**
a) A measure of how much the returns of the two assets move together
b) A measure of how much the returns of the two assets move in opposite directions
c) A measure of how much the returns of the two assets are unrelated
d) None of the above

Answer: a) A measure of how much the returns of the two assets move together

8. **What is the correlation coefficient between two assets in a portfolio?**
a) A measure of how much the returns of the two assets move together
b) A measure of how much the returns of the two assets move in opposite directions
c) A measure of how much the returns of the two assets are unrelated
d) None of the above

Answer: a) A measure of how much the returns of the two assets move together

9. **What is the risk of a portfolio with perfectly correlated assets?**
a) Lower than the risk of a portfolio with uncorrelated assets
b) Higher than the risk of a portfolio with uncorrelated assets
c) Equal to the risk of a portfolio with uncorrelated assets
d) None of the above

Answer: b) Higher than the risk of a portfolio with uncorrelated assets

10. **What is the benefit of diversification in a portfolio?**
a) Lowering the risk of the portfolio
b) Increasing the expected return of the