# 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