

23 Lecture - MGT201

Important Mcqs

1. **What is an efficient portfolio?**

- a) A portfolio that provides maximum return with minimum risk
- b) A portfolio that provides minimum return with maximum risk
- c) A portfolio that provides average return with average risk
- d) A portfolio that provides high return with high risk

Answer: a) A portfolio that provides maximum return with minimum risk

2. **What is market risk?**

- a) Risk associated with a specific stock
- b) Risk associated with a specific industry
- c) Risk associated with the overall market
- d) None of the above

Answer: c) Risk associated with the overall market

3. **What is the Capital Market Line (CML)?**

- a) A line that represents the expected return of inefficient portfolios
- b) A line that represents the expected return of efficient portfolios
- c) A line that represents the expected return of high-risk portfolios
- d) A line that represents the expected return of low-risk portfolios

Answer: b) A line that represents the expected return of efficient portfolios

4. **What is the formula for calculating the expected return of a portfolio?**

- a) Expected return = (Portfolio weight x Individual stock return) + Risk-free rate
- b) Expected return = (Portfolio weight x Individual stock return) - Risk-free rate
- c) Expected return = (Portfolio weight x Individual stock return) x Risk-free rate
- d) None of the above

Answer: a) Expected return = (Portfolio weight x Individual stock return) + Risk-free rate

5. **Which of the following is true for an efficient portfolio?**

- a) It lies below the CML
- b) It lies above the CML
- c) It lies on the CML
- d) It lies on the security market line (SML)

Answer: c) It lies on the CML

6. **What is the slope of the CML?**

- a) Risk-free rate
- b) Market risk premium
- c) Beta
- d) Standard deviation

Answer: b) Market risk premium

7. **What is the relationship between risk and return in an efficient portfolio?**

- a) Direct

- b) Inverse
- c) No relationship
- d) None of the above

Answer: a) Direct

8. **What is the formula for calculating the expected return of the market portfolio?**

- a) Expected return = Risk-free rate + Beta x (Market return - Risk-free rate)
- b) Expected return = Beta x (Market return - Risk-free rate)
- c) Expected return = Market return - Risk-free rate
- d) None of the above

Answer: a) Expected return = Risk-free rate + Beta x (Market return - Risk-free rate)

9. **What is the difference between systematic risk and unsystematic risk?**

- a) Systematic risk is the risk that can be diversified away while unsystematic risk cannot be diversified away
- b) Unsystematic risk is the risk that can be diversified away while systematic risk cannot be diversified away
- c) Both systematic and unsystematic risks can be diversified away
- d) None of the above

Answer: b) Unsystematic risk is the risk that can be diversified away while systematic risk cannot be diversified away

10. **What is the Sharpe ratio?**

- a) A measure of risk-adjusted return
- b) A measure of market risk
- c) A measure of unsystematic risk
- d) A measure of systematic risk

Answer: a) A measure of risk-adjusted return