

24 Lecture - MGT201

Important Mcqs

1. **What is stock beta?**

- a) A measure of a stock's volatility compared to other stocks
- b) A measure of a stock's volatility compared to the overall market
- c) A measure of a stock's dividend yield
- d) A measure of a stock's price-to-earnings ratio

Answer: b) A measure of a stock's volatility compared to the overall market

2. **What is portfolio beta?**

- a) The return on investment of a portfolio
- b) The standard deviation of a portfolio
- c) A weighted average of individual stock betas within a portfolio
- d) A measure of a portfolio's dividend yield

Answer: c) A weighted average of individual stock betas within a portfolio

3. **What is the Security Market Line (SML)?**

- a) A line representing the relationship between the risk and return of a security
- b) A line representing the relationship between the price and earnings of a security
- c) A line representing the relationship between the dividend yield and price of a security
- d) A line representing the relationship between the market cap and volume of a security

Answer: a) A line representing the relationship between the risk and return of a security

4. **What does a stock lying above the SML indicate?**

- a) It is undervalued
- b) It is overvalued
- c) It is fairly valued
- d) None of the above

Answer: a) It is undervalued

5. **What does a stock lying below the SML indicate?**

- a) It is undervalued
- b) It is overvalued
- c) It is fairly valued
- d) None of the above

Answer: b) It is overvalued

6. **If a stock has a beta of 1.5, what does it mean?**

- a) The stock is less volatile than the market
- b) The stock is more volatile than the market

- c) The stock has the same volatility as the market
- d) The stock has no volatility

Answer: b) The stock is more volatile than the market

7. **If a portfolio has a beta of 0.8, what does it mean?**
- a) The portfolio is less risky than the market
 - b) The portfolio is more risky than the market
 - c) The portfolio has the same risk as the market
 - d) The portfolio has no risk

Answer: a) The portfolio is less risky than the market

8. **What is the formula for calculating portfolio beta?**
- a) The sum of individual stock betas in the portfolio
 - b) The weighted average of individual stock betas in the portfolio
 - c) The product of individual stock betas in the portfolio
 - d) The difference between individual stock betas in the portfolio

Answer: b) The weighted average of individual stock betas in the portfolio

9. **What is the slope of the Security Market Line (SML)?**
- a) Beta
 - b) Alpha
 - c) R-squared
 - d) Standard deviation

Answer: a) Beta

10. **What is the intercept of the Security Market Line (SML)?**
- a) Risk-free rate
 - b) Expected return
 - c) Market risk premium
 - d) Dividend yield

Answer: a) Risk-free rate