

Economics (1 - 16)

1. The law of diminishing marginal utility explains why _____
 - A. Most individual demand curves are straight lines.
 - B. The consumer's optimal purchase is at the tangency of an indifference curve and the budget line.
 - C. Most individual demand curves slope downward.
 - D. Marginal utility falls when total utility falls.
2. If an individual who cannot find a job because his or her job skills have become obsolete, this is an example of _____
 - A. Frictional unemployment.
 - B. Structural unemployment.
 - C. Cyclical unemployment.
 - D. Seasonal unemployment.
3. When a price floor is imposed above the market equilibrium _____
 - A. A shortage will result.
 - B. A surplus will result.
 - C. There is no impact on the market.
 - D. Supply will increase.
4. Which of the following is not likely to result in an increase in potential GDP?
 - A. An advance in technology.
 - B. An increase in the money wage rate.
 - C. An increase in the quantity of capital.
 - D. None of the above.
5. Deficit spending by the government is best described as _____
 - A. Expansionary fiscal policy.
 - B. Contractionary fiscal policy.
 - C. Expansionary monetary policy.
 - D. Contractionary monetary policy.
6. Which of the following components of GDP is the largest in Nigeria?
 - A. Imports.
 - B. Investment.
 - C. Exports.
 - D. Consumption.
7. The reason for the law of demand can best be explained in terms of _____
 - A. Supply.
 - B. Complementary goods.
 - C. The rationing function of prices.
 - D. Diminishing marginal utility.
8. Which of the following is an injection?
 - A. Investment.
 - B. Saving.
 - C. Taxes.
 - D. Imports.
9. In pure competition, product price is _____
 - A. Greater than marginal revenue.
 - B. Equal to marginal revenue.

- C. Equal to total revenue.
D. Greater than total revenue.
10. The failure of people to appreciate that a general increase in prices (inflation) reduces the real purchasing power of their income (real wages) refers to the phenomenon _____
A. Hedging.
B. Neutrality of money.
C. Money illusion.
D. Monetization.
11. Which of the following will cause the money demand curve to shift to the left?
A. An increase in the interest rate.
B. A reduction in income.
C. An open market sale of bonds by the central bank.
D. A reduction in the interest rate.
12. _____ behaviour is a key assumption used in the study of consumers' behaviour.
A. Good.
B. Irrational.
C. Better.
D. Rational.
13. To be classified as a financial intermediary, an institution must _____
A. Collect funds from savers and control the money supply.
B. Accept deposits and make loans.
C. Pay interest to depositors.
D. Make loans, but leave the acceptance of deposits to others.
14. Which of the following contributes to cost-push inflation?
A. An increase in employment and output.
B. An increase in per unit production costs.
C. A decrease in resources prices.
D. An increase in unemployment.
15. Which of the following is not one of the reasons or motives for holding Money?
A. Transaction motive.
B. Speculative motive.
C. Precautionary motive.
D. Investment motive.
16. The IS-LM diagram details the simultaneous determination of equilibrium values of the interest rate and the level of national income as a result of conditions in the _____
A. Money and capital markets.
B. Goods and bond markets.
C. Security and financial markets.
D. Goods and money markets.

Economics (1 - 16)

1	C	6	D	11	B	16	D
2	B	7	D	12	D		
3	B	8	A	13	B		
4	B	9	B	14	D		
5	A	10	C	15	D		

Financial Statement Analysis (17 - 60)

17. The rules for the preparation of financial statements are governed by the following broad sets of codes except _____
- Laws governing corporate reporting.
 - Regulations of the body controlling the securities market.
 - Accounting Standards of the professional accounting bodies.
 - Operating procedures.
18. When calculating a company's gearing ratio which of the following factors would cause it to fall?
- A rights issue of ordinary shares.
 - An issue of loan notes.
 - An upward revaluation of non-current assets.
- I only.
 - I and II only.
 - II and III only.
 - I and III only.
19. Failure to record the receipt of a utility bill for services already received will result in which of the following?
- An overstatement of assets.
 - An overstatement of liabilities.
 - An overstatement of equity.
 - An understatement of assets.
20. Which of the following entries made to record the payment of ₦2,500 on account will cause the trial balance to be out of balance?
- No entry is recorded.
 - Cash is debited for ₦2,500 and Service Revenue is credited for ₦2,500.
 - Cash is debited for ₦250 and Accounts Payable is credited for ₦250.
 - Both Cash and Accounts Payable are credited for ₦2,500.
21. Which of the following indicators is not a measure of liquidity?
- Debt-to-equity ratio.
 - Quick ratio.
 - Current ratio.
 - Working capital.
22. Payment of dividend to shareholders is classified as a cash flow from which of the following?
- Operating activities.
 - Investing activities.
 - Financing activities.

- A. I and II only.
- B. I and III only.
- C. II and III only.
- D. All of the above.

23. Which of the following conditions is not necessarily true for an item to qualify as an asset?
- A. There should be probable future benefits from it.
 - B. It represents the claim of other entities.
 - C. It should be under the control of the firm.
 - D. It should have been bought or created by past events or transactions.

Use the information below to answer questions 24 - 27:

The accounts of Fresh plc for the year ended 31 December 2012 include the following information:

Revenue	7,200
Gross profit	2,376
Net profit	1,080
Inventory	300
Trade receivables	624
Cash	1,608
Trade payables	1,890

24. What is the net profit percentage?
- A. 33%
 - B. 66%
 - C. 15%
 - D. 85%
25. What is the gross profit percentage?
- A. 33%
 - B. 66%
 - C. 15%
 - D. 85%
26. What is the receivables payment period (all sales are on credit and 360 days make a year)?
- A. 211 days.
 - B. 95 days.
 - C. 49 days.
 - D. 32 days.
27. What is the current ratio?
- A. 1.18
 - B. 1.34
 - C. 0.49
 - D. 0.75

28. Which of the following constitutes a change of accounting policy according to IAS 8?
- A change in the basis of valuing inventory.
 - A change in depreciation rate.
 - Adoption of accounting policy for a new type of transaction not previously dealt with.
 - A revision of estimated useful life of a non-current asset.
29. Which of the following is not a financial asset?
- Loans and advances.
 - Held-to-maturity investment.
 - Available-for-sale investments.
 - Inventories.
30. Providing information about the performance and financial position of companies so that users can make informed economic decision best describes the role of _____
- Auditing.
 - Financial reporting.
 - Financial statement analysis.
 - Financial accuracy.
31. An investor who was worried that a company might go bankrupt would most likely examine it's _____
- Current ratio.
 - Return on equity.
 - Debt-to-equity ratio.
 - Price-earnings multiple.
32. Given the following information from the final balance sheet of XYZ Limited as at 31st December 2013:
- | | ₹ |
|-------------------|-----------|
| Land & Building | 400,000 |
| Plant & Machinery | 800,000 |
| Receivables | 300,000 |
| Payables | 600,000 |
| 10% Bonds | 650,000 |
| Inventory | 1,200,000 |
| Cash | 250,000 |
- What is the shareholders' fund?
- ₹1,700,000
 - ₹1,100,000
 - ₹2,300,000
 - ₹2,600,000
33. Other things held constant, which of the following will not affect the quick ratio? (Assume that current assets equal current liabilities).
- Fixed assets are sold for cash.
 - Cash is used to purchase inventories.
 - Cash is used to pay off accounts payable.
 - Accounts receivable are collected.

34. The rules for the preparation of financial statements are governed by the following broad sets of codes except _____
- Laws governing corporate reporting.
 - Regulations of the body controlling the securities market.
 - Accounting Standards of the professional accounting bodies.
 - Operating procedures.
35. When calculating a company's gearing ratio which of the following factors would cause it to fall?
- A rights issue of ordinary shares.
 - An issue of loan notes.
 - An upward revaluation of non-current assets.
- I only.
 - I and II only.
 - II and III only.
 - I and III only.
36. Which of the following are acceptable methods of depreciating non-current assets?
- Sum-of-the-years-digits method.
 - Units of production method.
 - Straight line method.
- I and II only.
 - I and III only.
 - II and III only.
 - All of the above.

Use the information below to answer questions 37 - 40:

The accounts of Dove Plc for the year ended 31 December 2012 include the following information:

£	
Revenue	7,200
Gross profit	2,376
Net profit	1,080
Inventory	300
Trade receivables	624
Cash	1,608
Trade payables	1,890

37. What is the net profit percentage?
- 33%
 - 66%
 - 15%
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38. What is the gross profit percentage?
- 33%
 - 66%
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39. What is the receivables payment period (all sales are on credit and 360 days make a year)?
- A. 211 days.
 - B. 95 days.
 - C. 49 days.
 - D. 32 days.
40. What is the current ratio?
- A. 1.18
 - B. 1.34
 - C. 0.49
 - D. 0.75
41. What is 'fair value' as defined in IFRS 2?
- A. The amount by which an asset could be exchanged or liability settled in an arm's length transaction by willing parties.
 - B. The net book value of a company's assets.
 - C. The 'real value' a company places on its assets.
 - D. The net present value of the future cash flows derivable from an asset.
42. Which of the following errors will be revealed by extracting a trial balance?
- I. Error of commission.
 - II. Error of omission.
 - III. Error of single entry.
- A. III only.
 - B. I and II only.
 - C. I and III only.
 - D. II and III only.
43. Providing information about the performance and financial position of companies so that users can make informed economic decision best describes the role of _____
- A. Auditing.
 - B. Financial reporting.
 - C. Financial statement analysis.
 - D. Financial accuracy.
44. An investor who was worried that a company might go bankrupt would most likely examine it's _____
- A. Current ratio.
 - B. Return on equity.
 - C. Debt-to-equity ratio.
 - D. Price-earnings multiple.
45. In preparing financial statements, accountants normally assume that an entity would continue in business into perpetuity without any factor that would force the business into liquidation, or make it to curtail its scale of operations significantly. Which of the following accounting concepts is applicable?
- A. Consistency.
 - B. Going concern.
 - C. Accrual.
 - D. Historical cost.

46. A firm bought a machine for ₦1,600,000. It is expected to be used for five years then sold for ₦100,000. What is the annual amount of depreciation if the straight line method is used?
- A. ₦320,000
 - B. ₦310,000
 - C. ₦370,750
 - D. ₦300,000
47. _____ is a measure of how effectively the assets are used to generate sales.
- A. Inventory turnover.
 - B. Asset turnover.
 - C. Current ratio.
 - D. Asset profitability.
48. In addition to comparison with industry ratios, it is also helpful to analyze ratios using _____
- A. Trend analysis.
 - B. Historical comparisons.
 - C. Neither; only industry ratios provide valid comparisons.
 - D. (A) and (B) above.
49. Which of the following would represent a use of funds and, indirectly, a reduction in cash balances?
- A. An increase in inventories.
 - B. A decrease in marketable securities.
 - C. An increase in accounts payable.
 - D. The sale of new bonds by the firm.
50. Which of the following ratios is suitable to determine the liquidity of a firm?
- A. Gross profit ratio.
 - B. Dividend yield.
 - C. Quick ratio.
 - D. Turnover ratio.
51. The recognition of an expense that would normally be regarded as an operating expense, as part of the cost of the acquisition, construction, or production of an asset is referred to as _____
- A. Amortization.
 - B. Depreciation.
 - C. Capitalization.
 - D. Reconstruction.
52. Which of the following is not a financing activity in a cash flow statement?
- A. Cash proceeds from issuing shares or other equity instruments.
 - B. Cash repayments of amount borrowed.
 - C. Cash receipts from royalties and fees.
 - D. Cash payment to owner of equity.
53. Gross profit is _____
- A. Excess of sales over cost of goods sold.
 - B. Sales less purchases.
 - C. Cost of goods sold plus opening inventory.
 - D. Net profit less expenses of the period.

54. The descending order in which current assets should be shown in the balance sheet is _____
- A. Cash, Bank, Accounts receivable, inventory.
 - B. Inventory, Account receivable, Bank, Cash.
 - C. Account receivable, Inventory, Bank, Cash.
 - D. Inventory, Account receivable, Cash, Bank.
55. The estimated amount received from the sale of assets less the estimated cost of disposal is _____
- A. Net disposal value.
 - B. Net realisable value.
 - C. Receivable value.
 - D. Net adjustable value.
56. _____ is the financial statement prepared showing the accounts of the parent company and its subsidiaries.
- A. Abridged financial statement.
 - B. Group financial statement.
 - C. Combined financial statement.
 - D. Consolidated financial statement.
57. What is the estimated amount used to replace the asset at the date of valuation?
- A. Acquisition cost.
 - B. Replenishment cost.
 - C. Replacement cost.
 - D. Revaluation cost
58. Ratio analysis is one of most widely used tools for analyzing the financial statements of an enterprise. These ratios are grouped into categories:
- I. Profitability ratios.
 - II. Efficiency ratios.
 - III. Solvency ratios.
 - IV. Financial market ratios.
 - V. Liquidity ratios.
- A. IV only.
 - B. I, II and III only.
 - C. I, II, III and V only.
 - D. All of the above.
59. The amount of capital stated at incorporation of a company in the memorandum of association is _____
- A. Issued share capital.
 - B. Authorised share capital.
 - C. Reserved capital.
 - D. Called up capital.
60. The ability of a business organization to access cash quickly and easily is known as _____
- A. Profitability.
 - B. Liquidity.
 - C. Gearing.
 - D. All of the above.

Financial Statement Analysis (17 - 60)

17	D	22	B	27	B	32	A	37	C	42	A	47	B	52	C	57	C
18	D	23	B	28	A	33	D	38	A	43	B	48	D	53	A	58	D
19	C	24	C	29	D	34	D	39	D	44	C	49	A	54	B	59	B
20	D	25	A	30	B	35	D	40	B	45	B	50	C	55	B	60	B
21	A	26	D	31	C	36	D	41	A	46	D	51	C	56	D		

Quantitative Analysis (61 - 100)

61. One limitation of the linear programming technique is that it is effective only for _____
- Two-product situations.
 - Manufacturing resource constraint situations.
 - Straight-line relationship situations.
 - Income maximization situations.
62. A square matrix is said to be singular if _____
- Its transpose is equal to the matrix.
 - The leading diagonal elements are zeros.
 - The inverse of the matrix is zero.
 - Its determinant is zero.
63. _____ is the type of annuity whose term may depend on some event that cannot be fixed such as pension scheme received until death.
- Perpetual annuity.
 - Extinct annuity.
 - Certain annuity.
 - Contingent annuity.
64. _____ is a principle that money today is of greater value than an equivalent sum of money receivable in the future.
- Net present value.
 - Discounted Cash flow.
 - Time value of money.
 - Cash projection.
65. Which of the following statements about the linear programming model is wrong?
- Linear programming is applied strictly to maximization problems.
 - One of the assumptions of the linear programming model is non-negativity.
 - Simplex and graphical methods are the two approaches to solving linear programming problems.
 - There could be 'slack variables' available at the optimum point in a linear programming solution.
66. Which of these is not a problem encountered in the construction of Index numbers?
- Definition of the purpose of constructing the index.
 - Selection of items to be included in the index.
 - Choice of quantities of commodities or items to be included in the index.
 - Selection of the base period.

67. The probability of obtaining a number less than 6 when a fair die is thrown is
- A. $1/6$
 - B. $5/6$
 - C. $1/3$
 - D. $1 - 5/6$
68. If for a binomial distribution, with number of trials is 100 and the probability of failure is 0.25, then the mean of the distribution is _____
- A. 0.025
 - B. 25
 - C. 400
 - D. 75
69. The increase in the objective function value by providing one additional unit is known as _____
- A. Feasible solution.
 - B. Shadow price.
 - C. Corner points.
 - D. Constraints constant.
70. The regression analysis is used to identify _____
- A. The degree of relationship variables.
 - B. The relationship between variables.
 - C. The influence of one against the other.
 - D. The coefficient between the two.
71. If a mutual fund bought for ₦200,000 three years ago was worth ₦251,200 two years ago, ₦191,200 last year, and ₦169,200 today, what would be the best estimate of its annual geometric rate of return?
- A. -3.3%
 - B. -5.4%
 - C. -9.8%
 - D. -7.0%
72. Which of the following is true with respect to the nature of statistics?
- A. Descriptive statistics is the process of summarizing large quantities of data.
 - B. Statistics refers to parameters that are specific to a population.
 - C. Statistical inference is a form of regression analysis.
 - D. Sample size should have no impact on the accuracy of statistical findings.
73. Which of the following statements about the linear programming model is wrong?
- A. Linear programming is applied strictly to maximization problems.
 - B. One of the assumptions of the linear programming model is non-negativity.
 - C. Simplex and graphical methods are the two approaches to solving linear programming problems.
 - D. There could be 'slack variables' available at the optimum point in a linear programming solution.
74. A square matrix is said to be singular if _____
- A. Its transpose is equal to the matrix.
 - B. The leading diagonal elements are zeros.
 - C. The inverse of the matrix is zero.
 - D. Its determinant is zero.

75. The square matrix $P = \begin{bmatrix} 3 & -2 & 8 \\ -2 & 4 & 1 \\ 8 & 1 & 0 \end{bmatrix}$ is said to be a _____ matrix.
- A. Skew.
 - B. Diagonal.
 - C. Identity.
 - D. Symmetric.
76. The rate of interest at which investment equals zero is _____
- A. Discount rate.
 - B. Compound rate.
 - C. Internal rate of Return.
 - D. Net present value.
77. A project is acceptable if it _____
- A. Has a negative NPV.
 - B. Has a positive NPV.
 - C. Has a positive IRR.
 - D. Has a negative IRR.
78. The average in which all the values are not involved in its calculation is _____
- A. Geometric mean.
 - B. Mode.
 - C. Harmonic mean.
 - D. Arithmetic mean.
79. If the standard deviation of a given data is 53. What is the variance?
- A. 2082
 - B. 2809
 - C. 2808
 - D. 2209
80. An annuity is a/an _____
- A. Series of amount paid annually.
 - B. Series of regular payments.
 - C. Series of equal payments made at regular intervals at a fixed period.
 - D. Annual payments of a fixed period.
81. The sum accrued when ₦500 is invested at a continuous rate of 2% for 3 years is _____
- A. ₦560.92
 - B. ₦530.80
 - C. ₦650.92
 - D. ₦602.92
82. An investigation that helps to make decisions about the population based on the sample data is _____
- A. Parameter.
 - B. Sampling.
 - C. Hypotheses testing.
 - D. Variance analysis.

83. The square matrix $P = \begin{bmatrix} 3 & -2 & 8 \\ -2 & 4 & 1 \\ 8 & 1 & 0 \end{bmatrix}$ is said to be a _____ matrix.
- A. Skew.
 - B. Diagonal.
 - C. Identity.
 - D. Symmetric.
84. The rate of interest at which investment equals zero is _____
- A. Discount rate.
 - B. Compound rate.
 - C. Internal rate of return.
 - D. Net present value.
85. Which of the following best describes a major limitation of Monte Carlo simulation?
- A. It only provides statistical estimates.
 - B. It cannot be used for sensitivity analysis.
 - C. It cannot be used in the assessment of risk.
 - D. None of the above.
86. The average in which all the values are not involved in its calculation is _____
- A. Geometric mean.
 - B. Mode.
 - C. Harmonic mean.
 - D. Arithmetic mean.
87. If the standard deviation of a given data is 53. What is the variance?
- A. 2082
 - B. 2809
 - C. 2808
 - D. 2209
88. How much will ₦5,000 deposited today be worth in seven years, if the bank is paying 9% for the first five years and 8% for the remaining two years?
- A. ₦9,140
 - B. ₦8,973
 - C. ₦8,295
 - D. ₦8,569
89. The probability of obtaining a number less than 6 when a fair die is thrown is _____
- A. 1/6
 - B. 5/6
 - C. 1/3
 - D. 1 - 5/6
90. If for a binomial distribution, with number of trials is 100 and the probability of failure is 0.25, then the mean of the distribution is _____
- A. 0.025
 - B. 25
 - C. 400
 - D. 75
91. The increase in the objective function value by providing one additional unit is known as _____

- A. Feasible solution.
 - B. Shadow price.
 - C. Corner points.
 - D. Constraints constant.
92. Which of the following is true with respect to the nature of statistics?
- A. Descriptive statistics is the process of summarizing large quantities of data.
 - B. Statistics refers to parameters that are specific to a population.
 - C. Statistical inference is a form of regression analysis.
 - D. Sample size should have no impact on the accuracy of statistical findings.
93. A graphical solution to the Linear Programming model is only feasible for problems involving _____
- A. Two variables only.
 - B. Two constraints only.
 - C. More than two variables and constraints.
 - D. All of the above.
94. Regression analysis is used to identify _____
- A. The degree of relationship variables.
 - B. The relationship between variables.
 - C. The influence of one against the other.
 - D. The coefficient between the two.
95. If for a binomial distribution, the number of trials is 100 and the probability of failure is 0.25, then the mean of the distribution is _____
- A. 75
 - B. 4
 - C. 25
 - D. 125
96. _____ is a technique for testing the significance of difference among two or three sampling means.
- A. Analysis of variance.
 - B. Regression analysis.
 - C. Hypothesis testing.
 - D. Correlation coefficient.
97. Events A and B are said to be _____ if A and B cannot occur together.
- A. Joined.
 - B. Mutually exclusive.
 - C. In unison.
 - D. Correlated.
98. An annuity is a/an _____
- A. Series of amount paid annually.
 - B. Series of regular payments.
 - C. Series of equal payments made at regular intervals at a fixed period.
 - D. Annual payments of a fixed period.
99. The sum accrued when ₦500 is invested at a continuous rate of 2% for 3 years is _____
- A. ₦560.92
 - B. ₦530.80
 - C. ₦650.92
 - D. ₦602.92

100. An investigation that helps to make decisions about the population based on the sample data is _____
- Parameter.
 - Sampling.
 - Hypotheses testing.
 - Variance analysis.

Quantitative Analysis (61 - 100)

61	C	66	C	71	B	76	C	81	B	86	B	91	B	96	A
62	D	67	B	72	A	77	B	82	C	87	B	92	A	97	B
63	D	68	D	73	A	78	B	83	D	88	B	93	A	98	C
64	B	69	B	74	D	79	B	84	C	89	B	94	B	99	B
65	A	70	B	75	D	80	C	85	A	90	D	95	A	100	C

Corporate Finance (101 - 125)

101. The popularity of the return on capital employed (ROCE) for project appraisal among entrepreneurs is due to the following except _____
- Simplicity of usage.
 - Recognition of the time value of money.
 - Ease of understanding.
 - Use of subjective accounting profits for analysis.
102. Which of the following is not a feature of debenture stocks?
- They pay fixed interest to investors.
 - They confer voting rights on holders.
 - The interest element is tax-deductible.
 - They are redeemable, irredeemable or convertible.
103. The following are the main components of working capital except _____
- Inventory.
 - Loan notes.
 - Creditors.
 - Bank overdraft.
104. Which of the following factors does not directly influence the level of investment in working capital?
- Nature of the business.
 - Sales and demand conditions.
 - Dividend policy.
 - Credit policy.
105. Which of the following is not a capital market instrument?
- Treasury bills.
 - Redeemable preference shares.
 - Redeemable debentures.
 - State government bonds.

106. Which of the following is not an option available to a shareholder in the event that the company issues a rights issue?
- A. Take up the rights.
 - B. Renounce the rights.
 - C. Sell the rights.
 - D. Convert the rights to corporate bond.
107. A firm which desires to improve its cash flow would not take which of the following steps?
- A. Reduce working capital cycle.
 - B. Reduce creditors' payment period.
 - C. Reduce stock turnover period.
 - D. Employ a factor for receivables management.
108. Which of the following is not correct about warrants?
- A. They are a form of call option.
 - B. They give the holder the right to buy the equity of a firm at an agreed time in future.
 - C. They are highly leveraged instruments.
 - D. They are basically risk-free instruments.

Use the following data to answer questions 109 to 110:

A company is considering the purchase of a metal fabricator that costs ₦500,000. Assume a required rate of return of 10%, and the following cash flow schedule:

Year 1 : ₦300,000
Year 2 : ₦200,000
Year 3 : ₦200,000

109. What is the project's NPV?
- A. (30,900)
 - B. +24,300
 - C. +88,300
 - D. +152,300
110. The project's IRR is closest to which of the following?
- A. 5%
 - B. 10%
 - C. 15%
 - D. 21%
111. A perpetual bond is currently priced at ₦105, and has an annual coupon of 9%. If corporate tax rate is 30%, compute the cost of debt.
- A. 6.00%
 - B. 6.30%
 - C. 8.57%
 - D. 9.00%
112. XZ is a constant growth firm that just paid a dividend of ₦2. The company's share sells for ₦27 and has a growth rate of 8%. What is the cost of equity using the dividend discount model?
- A. 13.6%
 - B. 16.0%
 - C. 16.6%
 - D. 16.9%

113. A company has a stock beta of 1.2; risk free rate is 10% and market risk premium is 5%. What is the cost of equity using the capital assets pricing model (CAPM) approach?
- A. 13.6%
 - B. 16.0%
 - C. 16.6%
 - D. 16.9%
114. Which of the following would lead to an increase in the rate of growth of a company?
- A. Reduction in stock turnover.
 - B. Reduction in asset turnover ratio.
 - C. Increase in quick ratio.
 - D. Increase in leverage ratio.
115. A scrip dividend is _____
- A. A dividend paid at a fixed percentage rate on the nominal value of the shares.
 - B. A dividend paid at a fixed percentage rate on the market value of the share on the date the dividend is declared.
 - C. A dividend payment that takes the form of new shares instead of cash.
 - D. An issue of new share to existing shareholders by converting reserves into issued share capital.
116. Which of the following sources of finance is the most widely used by small companies?
- A. Debenture issue.
 - B. Bank borrowing.
 - C. Rights issues.
 - D. Retained earnings.
117. GBL Plc, a listed company, is considering issuing additional equity capital. To ensure that all the new equity shares are sold, GBL Co wants to gain assurance that any shares not bought by the general public will be subscribed.
- What term correctly describes a firm which agrees to subscribe for the equity shares which are not taken up?
- A. A sponsoring member firm.
 - B. An issuing house.
 - C. An underwriter.
 - D. An intermediary.
118. Which of the following statements is not correct about the wealth maximization objective of a business firm?
- A. It considers the principle of time value of money.
 - B. It takes into account risk and return.
 - C. It considers accounting profit.
 - D. It balances short and long term benefits.
119. Flow plc intends to make a bonus issue of ordinary share during the forthcoming year. Which one of the following will be affected as a result of the issue?
- A. Financial gearing.
 - B. Total equity.
 - C. Earnings per share.
 - D. Liquidity.

120. A company's debt currently trades at ₦80 per ₦100 nominal value debt. The debt pays interest at a fixed rate of 10% per annum and it is irredeemable. The company pays tax at 30% per annum. What is the company's cost of debt?
- A. 8.75%
 - B. 7.00%
 - C. 3.75%
 - D. 3.00%
121. The following are benefits of using net present value as project evaluation technique except _____
- A. It recognizes the time value of money.
 - B. Its variant, profitability index, is useful in ranking projects in a situation of capital rationing.
 - C. It discounts cash flows with market determined cost of capital.
 - D. It considers the risk attached to the project and management attitude to risk.
122. Which of the following instruments is not currently traded on the Nigerian Stock Exchange?
- A. Ordinary shares.
 - B. Bonds.
 - C. Rights.
 - D. Warrants.
123. Process Limited is considering an investment of ₦750 million with expected after-tax inflows of ₦175 million per year for seven years. The required rate of return is 10%. Expressed in years, what is the project's discounted payback period?
- A. 4.3 years.
 - B. 5.4 years
 - C. 5.6 years.
 - D. 5.9 years.
124. The cost of equity capital is equal to the _____
- A. Expected market return.
 - B. Rate of return required by stockholders.
 - C. Cost of retained earnings plus dividends.
 - D. Cost of retained earnings only.
125. In which of the following cases would the IRR approach give the same result as the NPV method?
- A. Comparing mutually exclusive projects.
 - B. Evaluating a project with multiple projects.
 - C. Evaluating an independent project.
 - D. Evaluating capital intensive projects.

Quantitative Analysis (101 - 125)

101	B	106	D	111	A	116	D	121	D
102	B	107	B	112	B	117	C	122	D
103	B	108	D	113	B	118	C	123	D
104	C	109	C	114	D	119	C	124	B
105	A	110	D	115	C	120	A	125	C

Law, Ethics and Professional Standards (1 - 25)

1. The board of directors of a quoted company is expected to meet at least _____
 - A. Once every quarter.
 - B. Once every month.
 - C. Once every six months.
 - D. Once in a year.

2. The principle which provides that only a party to a contract can sue and be sued in respect of the contract is referred to as _____
 - A. Excluding and limiting clause.
 - B. Privity of contract.
 - C. Contract in restraint of trade.
 - D. None of the above.

3. The powers of a company to enter into a contract are determined by which of the following documents?
 - A. The production schedule.
 - B. The articles of association.
 - C. The prospectus.
 - D. The memorandum of association.

4. The following are considered related parties in business dealings except _____
 - A. Subsidiaries of a company.
 - B. Member of professional body.
 - C. Associates of a company.
 - D. Key management personnel of the entity or its parent.

5. Is it correct that ethics can be defined as the principles, values and ways of thinking that guide a person to make a moral choice?
 - A. It depends on the industry that the person is employed.
 - B. It depends on the situation that the person finds himself.
 - C. This definition is incorrect.
 - D. This definition is correct.

6. Which of the following is not a component of the CIS Code of ethics?
In dealing with clients, prospects, employers, employees, and fellow members, CIS members shall act with _____
 - A. Diligence.
 - B. Competence.
 - C. Integrity.
 - D. Humility.

7. According to the CIS Code of Ethics and Standards of Conduct, which of the following statement is correct?
 - A. A stockbroker should always act in the best interest of his client irrespective of the circumstance.
 - B. A stockbroker should act in the best interest of his client if it does not conflict with the interest of his employer.
 - C. A stockbroker should act in the best interest of his client if it does not conflict with his own interest.
 - D. A stockbroker's action would depend on the circumstance of the case.

8. Which of the following is most likely to conflict with the CIS Code and Standards?
- A. Analyst may change their investment recommendations without obtaining approval from their supervisors.
 - B. The confidentiality of personal account transactions by brokers should always be guaranteed.
 - C. A portfolio manager should conduct a fact-finding about a new customer before undertaking investment action on the customer's behalf.
 - D. An analyst shall not engage in any transaction with a client when acting as a principal or agent for an associate without the knowledge and consent of the client.
9. Which of the following is not applicable when Members and Registered Students are in an advisory relationship with a client? They should _____
- A. Take action on the appropriateness and suitability of an investment course of action based purely on client's instruction.
 - B. Make a reasonable inquiry into a client's investment experience, risk and return objectives and financial constraints prior to making any investment recommendation.
 - C. Determine that the recommendation or action is suitable to the client's financial situation, investment experience, risk and objectives.
 - D. Assess the appropriateness and suitability of an investment in the context of the client's total portfolio.
10. Which of the following actions is not likely to affect the independence and objectivity of Members and Registered Students in the performance of their duties?
- A. Offering, soliciting or accepting gifts.
 - B. Beneficial ownership of securities on which they make recommendations and take investment actions.
 - C. Their relationship with issuers of securities and other interested parties.
 - D. Disclosure of basic principles and methods of valuation of securities.
11. Which of the following is critical to maintaining the public trust in financial markets and in the investments profession?
- A. High ethical standards and professional conduct.
 - B. Effective regulatory monitoring and compliance.
 - C. Transparency and accountability.
 - D. All of the above.
12. Which of the following will result in non-compliance with the capital market regulators' codes of conduct?
- I. Delay in financial reporting.
 - II. Dual designation as Chairman and Managing Director.
 - III. Ineffective Audit Committee.
 - IV. Conflict of interest among the board members.
- A. I only.
 - B. I and IV only.
 - C. I, III and IV only.
 - D. All of the above.
13. A member of the Board of Investment and Securities Tribunal shall cease to hold office if he _____
- A. Becomes of unsound mind.
 - B. Becomes bankrupt or makes a compromise with creditors.

- C. Is convicted of a felony or any offence involving dishonesty.
D. All of the above.
14. The concept of trust is a creation of _____
A. Common law.
B. Statute.
C. Equity.
D. Judicial precedents.
15. Which type of mortgage is created when only the document covering a property is deposited with the creditor?
A. Legal mortgage.
B. Possessory mortgage.
C. Contractual mortgage.
D. Equitable mortgage.
16. Which of the following is a breach of duty to a client?
A. Having a reasonable basis for investment research and recommendation.
B. Exercising diligence and thoroughness in investment analysis.
C. Making reasonable effort to avoid material misrepresentation.
D. Non-disclosure of basic principles and methods used for valuation of securities.
17. Corporate governance is not concerned with which of the following?
A. How risks are managed?
B. How to formulate operational strategies for the business?
C. Who has the power to make decisions for the company?
D. In whose interest is the company governed?
18. The CIS Code of Ethics includes all of the following except _____
A. Members and Registered Students shall act with integrity, competence, and dignity.
B. Members and Registered Students shall practice their profession in an ethical manner.
C. Members and Registered Students shall exercise independent judgment.
D. Members and registered students shall not knowingly violate the securities acts and laws.
19. The board of directors of a quoted company is expected to meet at least _____
A. Once every quarter.
B. Once every month.
C. Once every six months.
D. Once in a year.
20. The principle which provides that only a party to a contract can sue and be sued in respect of the contract is referred to as _____
A. Excluding and limiting clause.
B. Privity of contract.
C. Contract in restraint of trade.
D. None of the above.
21. The powers of a company to enter into a contract are determined by which of the following documents?
A. The production schedule.
B. The articles of association.

- C. The prospectus.
D. The memorandum of association.
22. Which of the following is critical to maintaining the public trust in financial markets and in the investments profession?
A. High ethical standards and professional conduct.
B. Effective regulatory monitoring and compliance.
C. Transparency and accountability.
D. All of the above.
23. The following are considered related parties in business dealings except
A. Subsidiaries of a company.
B. Member of the same professional body.
C. Associates of a company.
D. Key management personnel of the entity or its parent.
24. The CIS Code of conduct mandates its Members to compete fairly in the capital market and not to engage in anti-competitive conduct. This is an act of
A. Fair valuation.
B. Competitive trading.
C. Fair trading.
D. Uncompromised trading.
25. Where a CIS registered students engages in the practice of distorting prices or artificially inflate trading volume with the intent to mislead market participants is known as _____
A. Market conspiracy.
B. Artificial manipulation.
C. Market manipulation.
D. Intentional manipulation.

Law, Ethics and Professional Standards (1 - 25)

1	A	6	D	11	D	16	D	21	D
2	B	7	A	12	D	17	D	22	D
3	D	8	B	13	D	18	D	23	B
4	B	9	A	14	C	19	A	24	C
5	D	10	D	15	D	20	B	25	C

Regulation and Practice of Securities & Investment (26 - 50)

26. Which of the following statements is not true under relevant securities regulations in Nigeria?
A. A stockbroker must always act in the best interest of the customer.
B. The stockbroker must notify the NSE if he gets involved in a serious legal matter.
C. A broker/dealer may be disciplined for violations committed by a dealing clerk who is an employee of the broker/dealer.
D. None of the above.

27. Self regulatory organizations like the Nigerian Stock Exchange are normally engaged in which of the following activities?
- I. Setting of arbitration policies.
 - II. Establishing fair trading practices.
 - III. Filing criminal prosecution.
 - IV. Setting prices in the market.
- A. I and II only.
 - B. II and IV only.
 - C. I, II and III only.
 - D. All of the above.
28. Shares normally settle on _____
- A. Trade date (T).
 - B. Second business day after trade date (T + 2).
 - C. Third business day after trade date (T + 3).
 - D. Fourth business day after trade date (T + 4).
29. All of the following are prohibited activities except _____
- A. Commingling.
 - B. Hypothecation.
 - C. Insider trading.
 - D. Front running.
30. When opening an account for a customer, which of the following is not required?
- A. Address of the customer.
 - B. Bank statement for the last six months.
 - C. Acceptable means of identification.
 - D. Utilities' bills.
31. A fiduciary is a person vested with the legal right and powers to be exercised for the benefit of another person. Which of the following are fiduciaries?
- I. Trustee.
 - II. Guardians.
 - III. Executors.
 - IV. Administrators.
- A. I, II and IV only.
 - B. I, III and IV only.
 - C. II, III and IV only.
 - D. All of the above.
32. At which stage of the share issue process in the primary market is the certificate of exemption required?
- A. Completion board meeting.
 - B. Regulatory approval.
 - C. Allotment.
 - D. Listing/quotation.
33. How frequently is a stockbroking firm required to furnish its clients their CSCS statement of stock position?
- A. Monthly.
 - B. Every two months.
 - C. Quarterly.
 - D. Half yearly.

34. Which of these is not a benefit of the Automated Trading System and CSCS?
- A. Increased opportunity for price discovery.
 - B. Enhanced transparency and efficiency of the market.
 - C. Increased opportunity to exploit arbitrage opportunities.
 - D. Obviated the risks associated with loss of share certificate.
35. When acting as an agent, what does the broker-dealer charge customers for executing orders?
- A. Commission.
 - B. Mark-up and mark-downs.
 - C. Spread.
 - D. Underwriting fees.
36. Which of the following type of issue does not result in an increased cash flow to the company?
- A. Public issue.
 - B. Rights issue.
 - C. Capitalization issue.
 - D. None of the above.
37. Which of this is not one of the stages of public offering?
- A. Discussion stage.
 - B. Completion board meeting.
 - C. Listing/quotation stage.
 - D. CSCS approval stage.
38. A sold contact note will not contain one of the following?
- A. Brokers' commission.
 - B. NSE fees.
 - C. CSCS fees.
 - D. None of the above.
39. SEC rule 50 provides that the registration statement for the offer of securities shall be filed by which of these parties?
- A. The issuer.
 - B. The issuing House.
 - C. Stock broker to the Issue.
 - D. NSE on behalf of the issuer.
40. Which of the following statements is not true under relevant securities regulations in Nigeria?
- A. A stockbroker must always act in the best interest of the customer.
 - B. The stockbroker must notify the NSE if he gets involved in a serious legal matter.
 - C. A broker/dealer may be disciplined for violations committed by a dealing clerk who is an employee of the broker/dealer.
 - D. None of the above.
41. Which of the following type of issue does not result in an increased cash flow to the company?
- A. Public issue.
 - B. Rights issue.
 - C. Capitalization issue.
 - D. None of the above.

42. Self regulatory organizations like the Nigerian Stock Exchange are normally engaged in which of the following activities?
- V. Setting of arbitration policies.
 - VI. Establishing fair trading practices.
 - VII. Filing criminal prosecution.
 - VIII. Setting prices in the market.
- A. I and II only.
 - B. II and IV only.
 - C. I, II and III only.
 - D. All of the above.
43. Under the Automated trading System, every stockbroker has his own _____ where he keys in his buy or sell orders or mandates.
- A. Play station.
 - B. Combo station.
 - C. ATM station.
 - D. Work station.
44. The capital market is structured in such a way as to ensure equal or level playing ground. By _____ we mean having privilege information to trade in stock either to increase a person's gain or reduce his loss.
- A. Short selling.
 - B. Hanging trading.
 - C. Insider dealing.
 - D. Priority trading.
45. Shares normally settle on _____
- A. Trade date (T).
 - B. Second business day after trade date (T + 2).
 - C. Third business day after trade date (T + 3).
 - D. Fourth business day after trade date (T + 4).
46. All of the following are prohibited activities except _____
- A. Commingling.
 - B. Insider trading.
 - C. Front running.
 - D. None of the above.
47. When opening an account for a customer, which of the following is not required?
- A. Address of the customer.
 - B. Bank statement for the last six months.
 - C. Acceptable means of identification.
 - D. Utilities' bills.
48. If a company with ~~₦4~~ billion capitalization is de-listed on the Stock Exchange, what is the effect before and after de-listing on the Stock market index?
- A. Sharp increase.
 - B. No effect.
 - C. Negative effect.
 - D. Positive effect.

49. Any specialist permitted to act as a dealer, acting in the position of a block positioner with respect to securities and holds himself out as being ready to buy and sell such securities for his own account on a regular and continuous basis is called _____
- A. Speculator.
 - B. Arbitrageur.
 - C. Marker maker.
 - D. Hedger.
50. A securities market primarily comprised of dealers who buy and sell for their own inventories is referred to which type of market?
- A. Auction.
 - B. Private.
 - C. Over-the-counter.
 - D. Electronic network.

Regulation and Practice of Securities & Investment (26 - 50)

26	D	31	D	36	C	41	C	46	D
27	A	32	A	37	D	42	A	47	B
28	C	33	C	38	D	43	D	48	B
29	B	34	C	39	B	44	C	49	C
30	B	35	A	40	D	45	C	50	C

Asset Valuation and Portfolio Management (51 - 75)

51. Investors can expect to be compensated for _____
- A. Systematic risk.
 - B. Company-specific risk.
 - C. Total risk.
 - D. Market risk and diversifiable risk.
52. What is the required rate of return for a stock with a beta of 0.7, when the risk-free rate is 7 percent and the market is offering 14 percent?
- A. 11.9%
 - B. 14.0%
 - C. 14.9%
 - D. 16.8%
53. If the market's perception of risk increases, the security market line (SML) will _____
- A. Rotate clockwise.
 - B. Rotate counterclockwise.
 - C. Shift upward parallel to the original SML.
 - D. Shift downward parallel to the original SML.
54. As the number of stocks in a portfolio is increased, the systematic risk _____
- A. Remain constant.
 - B. Increase at a decreasing rate.
 - C. Decrease at a decreasing rate.
 - D. Decrease at an increasing rate.

55. Which of the following would be most appropriate for a retired person in need of income with modest resources?
- A. Precious metals.
 - B. Long-term aggressive growth fund.
 - C. Put and call options.
 - D. Short term government bond funds.
56. The required rate of return on a security is a function of _____
- I. The risk premium for the investment.
 - II. The real risk-free rate.
 - III. The expected rate of inflation.
- A. I and II only.
 - B. I and III only.
 - C. II and III only.
 - D. All of the above.
57. A stock has beta factor of 1.8 and required return of 14%. If market return is 10%, determine the return required on a stock with beta of 0.
- A. 0%
 - B. 10%
 - C. 5%
 - D. 1%
58. The Nigerian Stock Exchange provides which of the following functions?
- A. Provides a mechanism for mobilizing private and public savings.
 - B. Aids in the determination of prices of securities by matching buy and sell orders.
 - C. Provides a means for trading in existing securities, thus making the securities marketable.
 - D. All of the above
59. The strong-form EMH asserts that stock prices fully reflect which of the following types of information?
- A. Market.
 - B. Market and public.
 - C. Public and private.
 - D. Public, private and future.
60. A random walk occurs when _____
- A. Stock price changes are random but predictable.
 - B. Stock prices respond slowly to both new and old information.
 - C. Future price changes are uncorrelated with past price changes.
 - D. Past information is useful in predicting future prices.
61. In an efficient market, _____
- A. Security prices react quickly to new information.
 - B. Security prices are seldom far above or below their justified levels.
 - C. One cannot make money.
 - D. (A) and (B) above.

62. What is the monthly average return for a stock whose yearly simple return has been 47%?
- A. 3.26%
 - B. 3.92%
 - C. 10.11%
 - D. 47.00%
63. Which of the following features is not characteristic of an individual in the consolidation phase?
- A. Asset management becomes a high priority.
 - B. Debt management becomes a low priority.
 - C. Fixed-income investments would be the best choice at this phase.
 - D. Income levels are the highest, relative to the other phases.
64. The return of a portfolio consisting of assets depends on which of the following?
- I. Weight of each asset in the portfolio.
 - II. Return of each asset in the portfolio.
 - III. Correlations between the assets.
- A. I and II only.
 - B. I and III only.
 - C. II and III only.
 - D. All of the above.
65. The standard deviation of a two-stock portfolio generally _____
- A. Is less than the weighted average of the two stock's standard deviations.
 - B. Is equal to the weighted average of the two stocks' standard deviations.
 - C. Is greater than the weighted average of the two stocks' standard deviations.
 - D. May be less than, equal to, or greater than the weighted average of the two stocks' standard deviations.
66. Which of the following would be most appropriate for a retired person in need of income with modest resources?
- A. Precious metals.
 - B. Long-term aggressive growth fund.
 - C. Put and call options.
 - D. Short term government bond funds.
67. A ₦1,000 par value irredeemable bond selling for ₦500 in the market has a coupon rate of 10%. What is the required rate of return?
- A. 2%
 - B. 5%
 - C. 10%
 - D. 20%
68. XZ is a constant growth firm that just paid a dividend of ₦2. The company's share sells for ₦27 and has a growth rate of 8%. What is the cost of equity using the dividend discount model?
- A. 13.6%
 - B. 16.0%
 - C. 16.6%
 - D. 16.9%

69. A stock has beta factor of 1.8 and required return of 14%. If market return is 10%, determine the return required on a stock with beta of 0.
- A. 0%
 - B. 10%
 - C. 5%
 - D. 1%
70. The Nigerian Stock Exchange provides which of the following functions?
- A. Provides a mechanism for mobilizing private and public savings.
 - B. Aids in the determination of prices of securities by matching buy and sell orders.
 - C. Provides a means for trading in existing securities, thus making the securities marketable.
 - D. All of the above

Use the information below to answer questions 68 and 69:

The returns from the market as a whole have been 9% for sometimes now. The risk free rate of return is 8%. Oando Plc share has a beta factor of 1.1.

71. What would be the expected return of Oando Plc if the market returns increases to 10%?
- A. 9.1%
 - B. 10.2%
 - C. 7.92%
 - D. 9.92%
72. What would be the expected return of Oando Plc if the market return fall to 4%?
- A. 3.1%
 - B. 3.6%
 - C. 2.92%
 - D. 3.92%
73. Stanley intends to buy bonds, but he wants bonds that will show price change as market interest rates change. Stanley will most likely want _____
- A. Bonds having low duration.
 - B. Zero-coupon bonds.
 - C. Premium bonds.
 - D. Bonds with long maturities.
74. When computing yield to maturity, the implicit reinvestment assumption is that the interest payments are reinvested at the _____
- A. Coupon rate.
 - B. Yield to maturity at the time of the investment.
 - C. Current yield.
 - D. Prevailing yield to maturity at the time interest payments are received.
75. A random walk occurs when _____
- A. Stock price changes are random but predictable.
 - B. Stock prices respond slowly to both new and old information.
 - C. Future price changes are uncorrelated with past price changes.
 - D. Past information is useful in predicting future prices.

Asset Valuation and Portfolio Management (51 - 75)

51	A	56	D	61	D	66	D	71	B
52	A	57	C	62	B	67	D	72	B
53	B	58	D	63	C	68	B	73	A
54	A	59	C	64	A	69	C	74	B
55	D	60	C	65	A	70	D	75	C

Derivatives (76 - 120)

76. The price at which the buyer of a put option can sell the stock during the life of the option is called _____
- Strike price.
 - Bid price.
 - Call price.
 - All of the above.
77. What is the price the buyer pays the writer (seller) for an option contract?
- Premium.
 - Spot price.
 - Cash.
 - Difference between the spot price and strike price.
78. When the strike price is the same as the price of the underlying instrument, the option is said to be _____
- Parity value.
 - Intrinsic value.
 - At the money.
 - Out of the money.
79. The amount an option would command if it were to be exercised immediately is called _____
- Intrinsic value.
 - Option value.
 - Time value.
 - Option premium.
80. Which of the following is a benefit provided by the futures market?
- It encourages speculation and profitable enterprise.
 - It allows for a more efficient distribution of commodities.
 - It increases the liquidity of futures contracts.
 - (B) and (C) above..
81. The designation for all the puts and calls options on the same stock is called _____
- Option series.
 - Option class.
 - Combinations.
 - Spreads.

82. An option that can be exercised only at the end of its life is referred to as _____
- American option.
 - Asian option.
 - Bermudan option.
 - European option.
83. Which of these is not a feature of derivative instruments?
- They are highly leveraged.
 - They could be very complex.
 - They could be risky for small investors.
 - None of the above.
84. Which of the following is a type of contingent claim?
- Options
 - Forward contract
 - Futures
 - None of the above
85. The fair price of a futures contract does not depend on _____
- Spot price of the underlying assets.
 - Time to expiration.
 - Time value of money.
 - Strike price.
86. Forward contracts on expiration have to be settled by _____
- Cash.
 - Difference in cash.
 - Payment of margin.
 - Delivery of the asset.
87. On expiration, the settlement price of a stock option contract is the _____
- Closing futures price.
 - Closing stock price.
 - Closing options price.
 - None of the above.
88. An index put option at a strike price on ₦4,200 is selling at a premium of ₦30. At what index level will it break even for the buyer of the option?
- ₦4,175
 - ₦4,176
 - ₦4,170
 - ₦4,162
89. The only way an investor can manage risks in the underlying cash market is by _____
- Hedging in the futures market.
 - Speculating in the futures market.
 - Speculating in the option market.
 - All of the above.
90. Which of the following is most appropriate for stock call options?
- An American option is always worth more than an European option.
 - A European option is always worth more than an American option.
 - An American option may be worth more than an European option.
 - A European option always has the same worth as an American option.

91. In the futures market, the clearing house does all of the following except _____
- A. Receive margin deposits from brokers.
 - B. Decide which contract will trade.
 - C. Set initial and maintenance margin.
 - D. Act as the counter party to every trade.
92. Which of the following variables is not required to value options using the Black and Scholes option pricing model?
- A. Volatility of the stock price.
 - B. Risk-free rate of interest.
 - C. The expected return on the underlying stock.
 - D. Time to maturity.
93. Which of the following statements is true with respect to futures contracts?
- A. The terms of futures contracts are structured to suit both the contracting parties.
 - B. The performance of futures contracts depends on the worth of the counterparty.
 - C. Futures contract is an over-the-counter product.
 - D. Futures contracts can be easily closed.
94. _____ contract gives its owner the right to buy some specified asset.
- A. Futures.
 - B. Forward.
 - C. Call option.
 - D. Spot.
95. Arbitrage prevents _____
- A. Market efficiency.
 - B. Profit higher than the risk-free rate of return.
 - C. Two assets with identical payoffs from selling at different prices.
 - D. Risk taking.
96. For a put option, the "intrinsic value" is either _____ or zero.
- A. The exercise price minus the underlying stock price.
 - B. The underlying stock price.
 - C. The time value.
 - D. The underlying stock price minus the exercise price.
97. With a _____ transaction, no new funds are generated for the original issuer of the security.
- A. Capital market.
 - B. Secondary market.
 - C. Direct market.
 - D. Indirect market.
98. _____ is a security whose payoffs are linked to other, previously issued securities.
- A. Secondary security.
 - B. Primary security.
 - C. Over-the-counter security.
 - D. Derivative security.

99. Which of the following is a criticism of the derivatives markets?
- A. They allow arbitrageurs to exploit price differences to make profits.
 - B. They introduce risk into the underlying spot market due to the profit-seeking action of hedging.
 - C. They create complex products that end users may not adequately understand.
 - D. They exclude small investors from active participation.
100. A stock is currently selling at ₦165. The put option at ₦163 strike price, costs ₦3. What is the time value of the option?
- A. ₦3
 - B. ₦2
 - C. ₦1
 - D. ₦1.50
101. Which of the following is a type of contingent claim?
- A. Options
 - B. Forward contract
 - C. Futures
 - D. None of the above
102. Forward contracts on expiration have to be settled by _____
- A. Cash.
 - B. Difference in cash.
 - C. Payment of margin.
 - D. Delivery of the asset.
103. On expiration, the settlement price of a stock option contract is the _____
- A. Closing futures price.
 - B. Closing stock price.
 - C. Closing options price.
 - D. None of the above.
104. Which of the following is not an example of a forward commitment?
- A. Call option.
 - B. Future contract.
 - C. Forward contract.
 - D. (B) and (C) above.
105. The only way an investor can manage risks in the underlying cash market is by _____
- A. Hedging in the futures market.
 - B. Speculating in the futures market.
 - C. Speculating in the option market.
 - D. All of the above.
106. The fair price of a futures contract does not depend on _____
- A. Spot price of the underlying assets.
 - B. Time to expiration.
 - C. Time value of money.
 - D. Strike price.

107. Compared to over the counter options, exchange-traded options have _____
- A. Greater liquidity.
 - B. Lower strike prices.
 - C. Higher transaction costs.
 - D. More flexible specifications.
108. Backwardation refers to a situation where _____
- A. Spot prices are above futures prices.
 - B. Spot prices are below futures prices.
 - C. Spot prices are the same as futures prices.
 - D. Expected future spot prices are above futures prices.
109. A short hedge is one in which _____
- A. The margin requirement is waived.
 - B. The futures price is lower than the spot price.
 - C. The hedger is short futures.
 - D. The hedger is short in the spot market.
110. What right and/or obligation does a call holder (American style) have?
- A. The obligation to sell the stock at the strike price any time until expiry.
 - B. The right to sell the stock at the strike price any time until expiry.
 - C. The obligation to buy the stock at the strike price any time until expiry.
 - D. The right to buy the stock at the strike price any time until expiry.
111. If an asset can be more readily converted into cash, we would say that this asset is _____
- A. A real asset.
 - B. A capital asset.
 - C. More liquid.
 - D. A secondary asset.
112. Banks invest in government securities for a variety of reasons _____
- A. Income.
 - B. Safety.
 - C. Acceptable for collateral.
 - D. High relatively yield.
113. What is the difference between equities and debt securities?
- A. Equities represent ownership in a company and debt represents a contractual liability of the company.
 - B. Holders of equity securities get paid before holders of debt securities in the event of a bankruptcy.
 - C. Equities are short term and debt securities are long term.
 - D. Equities pay interest and debt securities pay dividends.
114. Warrants are similar to which of these?
- A. Bonds.
 - B. Put option.
 - C. Ordinary shares.
 - D. Call option.
115. Which of the following must an investor consider before writing a naked option?
- A. The loss potential.
 - B. The possibility of exercise.
 - C. The risk/reward ratio.
 - D. All of the above.

116. The short in a deliverable forward contract _____
 A. Has no default risk.
 B. To receive payment at contract initiation.
 C. Is obligated to deliver the specific asset.
 D. Makes a cash settlement to the long at settlement.
117. Compared to forward contracts, futures contracts are all of the following except _____
 A. Larger in size.
 B. More liquid.
 C. Less subject to default risk.
 D. Standardised.
118. Default risk in a forward contract _____
 A. Is the risk to either party that the other party will not fulfill their contractual obligation.
 B. Only applies to the long, and is the probability that the short cannot acquire the asset for delivery.
 C. Only applies to the short, who must make the cash payment at settlement.
 D. Is lessened by the mark-to-market feature found in a typical forward contract.
119. Which of the following statements is correct?
 A. In a convertible bond, the conversion value is always higher than the straight value.
 B. In a convertible bond, the conversion value is always lower than the straight value.
 C. In a convertible, the value of the option of conversion can be negative.
 D. None of the above.
120. A situation in a futures market where the current futures price is greater than the current spot price for the underlying asset is _____
 A. Contango
 B. Spot rate.
 C. Counter party.
 D. Convexity.

Derivatives (76 - 120)

76	A	81	B	86	D	91	B	96	A	101	A	106	D	111	C	116	C
77	A	82	D	87	B	92	C	97	B	102	D	107	A	112	D	117	A
78	C	83	D	88	C	93	D	98	D	103	B	108	A	113	A	118	A
79	A	84	A	89	A	94	C	99	C	104	D	109	C	114	D	119	D
80	D	85	D	90	C	95	C	100	A	105	A	110	D	115	D	120	A