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## Question 1

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**Question Type:** MultipleChoice

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Section A (1 Mark)

An investor will take as large a position as possible when an equilibrium price relationship is violated. This is an example of \_\_\_\_\_.

**Options:**

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- A- A dominance argument
- B- The mean-variance efficiency frontier
- C- A risk-free arbitrage
- D- The capital asset pricing model

**Answer:**

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C

## Question 2

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**Question Type:** MultipleChoice

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Section B (2 Mark)

The price of Sunder Ltd. is currently Rs. 40. The dividend next year is expected to be Rs. 4. Required return on the stock is 12%. Find the expected growth rate under the constant growth model.

**Options:**

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A- 3%

B- 4%

C- 2%

D- 5%

**Answer:**

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C

## Question 3

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**Question Type: MultipleChoice**

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Section A (1 Mark)

A well-diversified portfolio is defined as

**Options:**

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- A-** One that is diversified over a large enough number of securities that the nonsystematic variance is essentially zero.
- B-** One that contains securities from at least three different industry sectors.
- C-** A portfolio whose factor beta equals 1.0.
- D-** A portfolio that is equally weighted.

**Answer:**

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A

## Question 4

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**Question Type: MultipleChoice**

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Section B (2 Mark)

If two customers choose exactly the same package of certain service, but customer A calls for help weekly and customer B calls only twice a year, which is most valuable customer?

**Options:**

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- A- Both A & B customer
- B- Customer A
- C- Customer B
- D- None of the above

**Answer:**

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C

## Question 5

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**Question Type: MultipleChoice**

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Section B (2 Mark)

As per article 11 Double Taxation Avoidance Agreement with UAE, Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State. However, such interest may be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest, the tax so charged shall not exceed:

- (a) \_\_\_\_\_ percent of the gross amount of the interest if such interest is paid on a loan granted by a bank carrying on a bona fide banking business or by a similar financial institution; and
- (b) \_\_\_\_\_ percent of the gross amount of the interest in all other cases.

**Options:**

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- A- 10 and 15
- B- 5 and 12.50
- C- 20 and 15
- D- 12 and 15

**Answer:**

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B

## Question 6

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**Question Type:** MultipleChoice

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Section C (4 Mark)

Which of the following statements are correct?

I.	<p>Endowment bias influences investors to hold onto securities that they have inherited, regardless of whether retaining those securities is financially wise. This behavior is often the result of the heirs' fear that selling will demonstrate disloyalty to prior generations or will trigger tax consequences.</p>
II.	<p>Endowment bias causes investors to hold securities they have purchased (already own). This behavior is often the result of decision paralysis, which places an irrational premium on the compensation price demanded in exchange for the disposal of an endowed asset.</p>
III.	<p>Endowment bias causes investors to hold securities that they have either inherited or purchased because they do not want to incur the transaction costs associated with selling the securities. These costs, however, can be a very small price to pay when evacuating an unwise investment.</p>
IV.	<p>Endowment bias causes investors to hold securities that they have either inherited or purchased because they are familiar with the behavioral characteristics of these endowed investments.</p>

**Options:**

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A- I and II

B- I and III

C- III and IV

D- All of the Above

**Answer:**

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D

## Question 7

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**Question Type: MultipleChoice**

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Section B (2 Mark)

Ashish is bullish about HLL which trades in the spot market at Rs.210. He buys 10 three-month call option contracts on HLL with a strike of 230 at a premium of Rs.1.05 per call. Three months later, HLL closes at Rs. 250. Assuming 1 contract = 100 shares, his profit on the position is \_\_\_\_\_.



**Options:**

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A- Rs. 18,950

B- Rs. 19,500

C- Rs. 10,000

D- Rs. 20,000

**Answer:**

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A

## Question 8

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**Question Type: MultipleChoice**

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Section B (2 Mark)

An employee who is not resident in the UK will be liable to UK income tax:

**Options:**

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A- On all employment income arising both from duties performed in the UK and from duties performed overseas (on the receipts basis)

- B-** On all employment income arising both from duties performed in the UK and from duties performed overseas (on the remittance basis)
- C-** On employment income arising from duties performed in the UK (on the receipts basis) and on employment income arising from duties performed overseas (on the remittance basis)
- D-** On employment income arising only from duties performed in the UK (on the receipts basis)

**Answer:**

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D

## Question 9

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**Question Type:** MultipleChoice

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Section C (4 Mark)

Data on following mutual funds is given below:

	Mean Return %	Standard Deviation
Fidelity	15	11.50
HDFC	18	9.50
Franklin Templeton	16	13.50

Risk free return is 8%. Calculate Sharpe measure.

**Options:**

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- A- 0.45, 0.98, 0.33
- B- 0.72, 0.26, 0.31
- C- 0.95, 0.16, 0.31
- D- 0.61, 1.05, 0.59

**Answer:**

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D

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