Free Questions for 8007 by certsinside

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Question 1

Question Type: MultipleChoice

A biased coin has a probability of getting heads equal to 0.3. If the coin is tossed 4 times, what is the probability of getting heads at least two times?

Options:

A- 0.7367

B- 0.3483

C- 0.2646

D- None of these

Answer:

B

Question 2

Question Type: MultipleChoice

What is the probability of tossing a coin and getting exactly 2 heads out of 5 throws?

Options:

A- 8/15

B- 9/23

C- 10/32

D- None of these

Answer:

C

Question 3

Question Type: **MultipleChoice**

A quadratic form is

Options:

A- defined as a positive definite Hessian matrix.

B- an algebraic expression in two variables, x and y, involving , and terms.

C- a specific solution of the Black-Scholes pricing formula

D- an algebraic expression in two variables, x and y, involving , , and terms.

Answer:

B

Question 4

Question Type: **MultipleChoice**

I have a portfolio of two stocks. The weights are equal. The one volatility is 30% while the other is 40%. The minimum and maximum possible values of the volatility of my portfolio are:

Options:

A- 30% and 40%

B- 5% and 35%

C- 10% and 40%

D- 10% and 70%

Answer:

B

Question 5

Question Type: MultipleChoice

Suppose I trade an option and I wish to hedge that option for delta and veg

a. Another option is available to trade. To complete the hedge I would

Options:

A- trade the underlying in such a way as to make the portfolio delta and vega neutral.

B- trade the other option in such a way as to make the portfolio delta and vega neutral.

C- trade the other option in such a way as to make the portfolio vega neutral, and then trade the underlying in such a way as to make the

portfolio delta neutral.

D- trade the underlying in such a way as to make the portfolio delta neutral, and then trade the other option in such a way as to make the portfolio vega neutral.

Answer:

C

Question 6

Question Type: MultipleChoice

Suppose we perform a principle component analysis of the correlation matrix of the returns of 13 yields along the yield curve. The largest eigenvalue of the correlation matrix is 9.8. What percentage of return volatility is explained by the first component? (You may use the fact that the sum of the diagonal elements of a square matrix is always equal to the sum of its eigenvalues.)

Options:

A- 64%

B- 75%

C- 98%

D- Cannot be determined without estimates of the volatilities of the individual returns

Answer:

B