

Student: \_\_\_\_\_ Id. number: \_\_\_\_\_

Choose unambiguously the only right answer for each question. Correct answers are worth 1 point, blank ones 0 and a -1 penalty is charged every 2 mistakes. The exam is failed if the final score is lower than 10 points.

- 1 When venture capitalists enter a deal, they usually provide cash in exchange of:  
 [ a ] stocks  
 [ b ] loans  
 [ c ] bonds
- 2 If the exchange rate is measured as domestic-versus-foreign, appreciation of the domestic currency occurs:  
 [ a ] when the ratio goes down  
 [ b ] it is impossible to tell what happens  
 [ c ] when the ratio goes up
- 3 In mortgage loans, down payments (or lower loan-to-value ratios) have the following purpose:  
 [ a ] to increase the value of the collateral  
 [ b ] to increase the profitability for the lender  
 [ c ] to reduce moral hazard
- 4 As a long-term investment tool, pension funds should hold larger volumes of:  
 [ a ] stocks  
 [ b ] treasury bills  
 [ c ] deposits
- 5 In financial markets, we typically have:  
 [ a ] more stocks and bonds than loans  
 [ b ] more stocks than bonds  
 [ c ] more assets held by banks than by insurance companies
- 6 In money markets, larger trading volumes involve:  
 [ a ] asset-backed securities  
 [ b ] treasury bills  
 [ c ] commercial paper
- 7 Yields to maturity differ across different bonds because:  
 [ a ] they reflect differences in credit risk  
 [ b ] they reflect differences in interest-rate risk  
 [ c ] they reflect differences in all sources of expected uncertainty
- 8 A put option on a stock has a premium of 5 and a strike price of 100. If at the maturity date the stock is worth 90:  
 [ a ] the buyer of the option earns 5, the seller loses 5 (nominally)  
 [ b ] the buyer of the option earns 100, the seller loses 90 (nominally)  
 [ c ] the buyer of the option loses 5, the seller earns 5 (nominally)
- 9 A typical asset of Central Banks is:  
 [ a ] money in circulation  
 [ b ] government bonds  
 [ c ] excess reserves
- 10 In measuring mutual funds, the NAV (net-asset-value) reports:  
 [ a ] enter/exit price  
 [ b ] performance  
 [ c ] risk

- 11 The shadow banking system:
- [ a ] represents unregulated banking operations that precipitate credit crunches
  - [ b ] is composed by intermediaries offering funding without being depository institutions
  - [ c ] is the illegal part of financial systems that creates financial crisis
- 12 Convertible bonds allow the buyer to:
- [ a ] change the maturity of its investment at pre-determined dates
  - [ b ] select to receive their nominal amount before the maturity date
  - [ c ] choose between receiving cash or stocks at the maturity date
- 13 If a company expresses a P/E (price/earnings) ratio that is well above its sector's average:
- [ a ] its future growth is expected to be below the sector's average
  - [ b ] its current earnings are too low and the stock's price will probably fall soon
  - [ c ] its future earnings are seen as less risky or growing faster than similar companies
- 14 When the Central Bank purchases domestic assets by selling foreign assets:
- [ a ] the domestic currency depreciates
  - [ b ] the domestic currency appreciates
  - [ c ] exchange rates do not change since this operation is called "sterilised"
- 15 A discount (or zero-coupon) bond:
- [ a ] has always a maturity shorter than one year
  - [ b ] does not expose the buyer to interest-rate risk
  - [ c ] has always a duration equal to its maturity
- 16 The general term structure of interest rates, among other reasons, is important because:
- [ a ] it allows to extrapolate measures of expected inflation
  - [ b ] it allows to extrapolate measures of credit risk
  - [ c ] it allows to extrapolate forward interest rates
- 17 The most convincing reason against the independence of Central Banks is:
- [ a ] dependency would improve the response towards unemployment
  - [ b ] dependency would ensure accountability and coordination with fiscal policy
  - [ c ] dependency would make it perform better in terms of inflation targeting
- 18 If one strongly assumes the efficient market hypothesis to be true, one of the following should be done:
- [ a ] choose a stock from a company that is about to make a very positive public announcement
  - [ b ] choose a diversified portfolio with an adequate level of risk
  - [ c ] choose a mutual fund because it has a good past track record
- 19 The difference between earned interest revenues and incurred interest expenses, in banking:
- [ a ] measures the profitability of traditional activities
  - [ b ] measures the profitability of innovative activities
  - [ c ] measured the profitability of the whole bank
- 20 A short-term government bond, compared to a long-term one issued by the same country:
- [ a ] bears always a lower nominal interest rate
  - [ b ] has typically a higher level of demand
  - [ c ] bears the same level of credit risk

If you have important matters to attend to (other exams, work-related issues, family care, etc.), let me know here the most suitable time for your oral examination, so I can schedule our agenda properly.