

# [Stock and company](https://assignbuster.com/stock-and-company/)

Week 7 Chapter 6: Investors in the Share Market True/False QUESTIONS 1. Investing in shares of publicly listed corporations should, on average, over time provide a higher return than investing in fixed-interest securities. A. True b. False 2. Investments through a stock exchange are limited to ordinary shares issued by listed corporations. A. True b. False 3. Portfolio theory contends that a diversified share portfolio enables an investor to significantly reduce the portfolios exposure to systematic risk. A. True b. False 4. A share that has a beta of one is twice as risky as an average share listed on a stock market. . True b. False 5. Shares that typically demonstrate a negative price correlation will usually move in the same direction if new economic information comes to the market. A. True b. False 6. With dividend imputation, a shareholder with a marginal tax rate that is lower than the company tax rate will pay no tax on a fully franked dividend received, and the excess credit can be applied against other assessable income. A. True b. False 7. A company's liquidity, that is, its ability to meet its short-term financial obligations, may be measured using the current ratio and the liquid ratio.

Of the two ratios, the latter is the more triggering measure. A. True b. False 8. It can be safely inferred that a company with a low current ratio is a riskier investment than a company with a high current ratio. A. True b. False 9. In comparing the profitability of different companies that have quite different financial structures, the use of the BIT to total funds employed ratio would be more suitable than the BIT to shareholders' funds ratio. MAP 702 Lecture 7 (Topic 7) Macs and TIFF Questions Page 1 a. True b. False 10.

Given that the banking sector consistently displays a higher debt- to-equity ratio than do other sectors of the market, it can be reasonably concluded hat there is a greater level of risk associated with investments in this sector. A. True b. False 11. A price to net tangible assets ratio of less than one indicates that the book value of the company's assets exceeds the market's valuation of the company. A. True b. False 12. A sensible investor would prefer to buy shares in a company that has a low price to earnings ratio, since this ensures that the investor will receive a relatively good return on the price paid for the share. . True b. False 13. A company announces the payment of an interim dividend of $0. 20 per share. The UCM-dividend hares are trading at $5. 40. The theoretical ex-dividend price will be $5. 60. A. True b. False 14. The issue of bonus shares merely changes the composition of the firm's equity; bonus issues do not add to the firm's capital. A. True b. False 15. In a one-for- nine bonus issue, if the UCM-bonus price of the share was $10, then the theoretical ex-bonus price would be $9. A. True b. False Multiple Choice 1 . Passive investment meaner building a portfolio of shares based on the strategy of: A. Ay and hold B. Replicating a market index C. Following solely the advice of share brokers D. Investing in low-risk shares 2. Investors buy listed shares: A. To obtain fixed dividend payments B. To obtain fixed capital growth C. For the chance of capital growth only D. For the chance of dividend payments and capital growth MAP 702 Lecture 7 (TOPIC 7) MACS and TIFF Questions Page 2 3. Compared with fixed interest securities, shares offer: A. Capital gain for lower risk B. Capital gain for higher risk C. Fixed dividends and capital gains for lower risk D. Periodic dividends and capital gains at higher risk 4.

A diversified portfolio generally includes: A. 0-5 stocks B. 5-10 stocks C. 10-15 stocks D. 10-25 stocks 5. Share winnowers of listed companies on the Australian Securities Exchange (ASS) has remained relatively constant across various sectors of the market over the past few years. Which of the following ownership groupings is the largest investor in Australian equities? A. Financial institutions, including insurance companies and superannuation funds B. Households and unincorporated enterprises C. Government: Commonwealth, state and government trading enterprises D.