

Question #1 of 16

A firm's economic capital is *most accurately* described as:

- A) capital needed to overcome severe losses in the business.
 - B) fair value of plan assets less fair value of liabilities.
 - C) Assets minus VaR.
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Question #2 of 16

Sophia fund is a €200 million portfolio of euro zone equities. The expected daily return and standard deviation are 0.179% and 0.22% respectively. The 5% daily VaR is *closest* to:

- A) €82,000
 - B) €37,400,000
 - C) €368,000
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Question #3 of 16

A fixed income portfolio manager utilizes duration as a risk measure for the portfolio. The portfolio manager is *most likely*:

- A) using partial analysis.
 - B) using scenario analysis.
 - C) using sensitivity analysis.
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Question #4 of 16

Which one of the following is NOT a limitation of VaR?

- A) VaR based risk limits may be inappropriate in trending markets

- B)** Incorporates only right tail risk.
 - C)** VaR computed during periods of unusually low volatility may underestimate actual VaR.
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Question #5 of 16

Which of the following risk measures are *most likely* to be used by a hedge fund?

- A)** Maximum drawdown.
 - B)** Glidepath.
 - C)** Surplus at risk.
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Question #6 of 16

Which of the following risk measures are *most likely* to be used by a traditional asset manager?

- A)** Maximum drawdown
 - B)** Surplus at risk
 - C)** Active share.
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Question #7 of 16

With regards to convexity and gamma, which of the following statements are *most accurate*?

- A)** Convexity is a first order effect while gamma is a second order effect arising from changes in underlying risk factors to the change in value of the asset.
 - B)** Both are second order effects value arising from changes in underlying risk factors to the change in value of the asset.
 - C)** Convexity is a second order effect while gamma is a first order effect arising from changes in underlying risk factors to the change in value of the asset.
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Question #8 of 16

Which of the following is a limitation of scenario analysis?

- A) The relationship between portfolio value and the risk factors used may not be static.
 - B) Scenario analysis does not account for "fat tail" problem of the return distribution.
 - C) Scenario analysis does not provide the probability of a specific scenario occurring.
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Question #9 of 16

Assuming that the returns distribution of a portfolio is normal, using the parametric method of estimation of VaR needs which of the following inputs:

- A) mean, standard deviation and size of the lookback period.
 - B) mean and standard deviation.
 - C) mean, standard deviation, and kurtosis.
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Question #10 of 16

A portfolio has a 5% monthly VaR of \$2.5 million dollar. Which of the following is *most* accurate?

- A) There is a 5% chance of loss in portfolio value of at least \$2.5 million in a month.
 - B) There is a 95% chance of losing \$2.5 million in 5% of the months
 - C) There is a 5% chance of losing \$2.5 million every month.
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Question #11 of 16

Delphia fund is a €100 million portfolio of euro zone equities. The expected daily return and standard deviation are 0.116% and 0.38% respectively. The 5% daily VaR is €511,000. Assuming 21 trading days per month, The 5% monthly VaR is *closest* to:

- A) €829,446

- B) €435,000
 - C) €3,801,000
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Question #12 of 16

Which of the following is *most likely* an example of a stop loss limit?

- A) Liquidate the portfolio if the portfolio value falls below \$100 million.
 - B) Maximum tracking error of 3%.
 - C) Maximum daily VaR of \$1.5 million.
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Question #13 of 16

Marginal Var is *least likely* to be

- A) conceptually similar to incremental VaR
 - B) change in VaR due to very small change in asset position.
 - C) change in VaR due to change in probability.
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Question #14 of 16

Which of the following is most accurately a limitation of the historical simulation method?

- A) Estimates of mean and standard deviation may be inaccurate.
 - B) The behavior of returns over the lookback period may not accurately capture the future behavior.
 - C) The size of the lookback period may be too small.
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Question #15 of 16

Which of the following approaches to conducting scenario analysis on a portfolio of stock options is *most accurate*?

- A)** Evaluate the impact on the portfolio owing to changes in volatility.
 - B)** Value the portfolio based on the parameters identified in the scenario.
 - C)** Evaluate the impact on the portfolio owing to changes in delta.
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Question #16 of 16

Conditional VaR is *most accurately* measured as:

- A)** Average VaR in the tails of the return distribution.
- B)** Average VaR in the tails of the value distribution.
- C)** Average VaR given that losses to the extent of VaR has occurred.