



**2022**  
**FINANCE AND INVESTMENT MANAGEMENT OLYMPIAD**  
**UJ FIMO PAPER ROUND ONE**

***Duration: 1 Hour***

***Questions: 30 Multiple Choice Questions***

***GRADE 10 / 11 / 12***

**1. Which one of the following statements about liquidity is false?**

- a. Liquidity is also known as marketability and disposableness
- b. Liquidity refers to the ability to trade a security with ease
- c. Liquidity enables investors to rapidly adjust their portfolios in terms of size, risk, return, liquidity and maturity

**2. Paul wishes to invest R10 000 for a period of 5 years. Which of the following investments would be best for him?**

- a. 6.7% p.a. simple interest
- b. 6.5% p.a. compound interest with quarterly rests
- c. 6% compound interest with daily rests

**3. Which one of the following statements about volatility is most correct?**

- a. Financial assets can be extremely volatile
- b. Investment risk is broadly defined as volatility in asset prices
- c. Volatility in asset prices is measured in terms of changes market prices and rates.

**4. Which one of the following statements is false about additional participants who make use of the financial system?**

- a. Brokers and dealers: are members of exchanges that facilitate the trade in financial instruments
- b. Financial exchanges: allow the broker-dealers to facilitate trading in securities and create the mechanism for clearing and settlement of trades in a risk-minimising manner
- c. Financial regulators: regulate and supervise only brokers and dealers in the financial system

**5. In most countries, the largest holders of shares are...**

- a. the retirement funds
- b. the long-term insurers
- c. all the above

**6. Companies not only supply shares to the market, but they are permitted to purchase their own shares and hold them as "treasury stock".**

- a. This statement is false
- b. This statement is true
- c. This statement is incomplete

**7. Only financial intermediaries are allowed to buy and sell shares, bonds and derivatives.**

- a. This statement is false
- b. This statement is true
- c. This statement is incomplete

**8. Harry is the owner of Harry's Hardware, each year he deposits money into a fixed deposit account for one of his employees. How much must Harry deposit be at 12.5% interest for 120 days in order to earn R600.00 interest?**

- a. R14 400
- b. R14 600
- c. R7200

**9. Which one of the following statements is false about Speculators?**

- a. They are also known as arbitrageurs
- b. Most of them trade intra-day in order to avoid settlement outlays
- c. They do not contribute to efficient price discovery

**10. Which one of the following statements is true about the bid-offer spread?**

- a. It represents the cost of trading and this is significant in the creation of liquidity
- b. If the spread is narrow, the relevant market is said to be illiquid
- c. If the spread is wide the market is liquid

**11. The debt market is made up of...**

- a. the Short-term debt market and Long-term debt market
- b. the Medium-term debt market only
- c. the Medium-term debt market and Long-term debt market

**12. The objective of an investment is to increase the amount of the original investment by...**

- a. earning a periodic cash flow
- b. making a capital gain
- c. All the above

**13. Which one of the following statements about the effective rate is true?**

- a. The effective rate of interest is the actual annual rate of interest taking into account the effect of compounding
- b. If the bank increases the number of compounding periods, the amount earned on a deposit decreases. This implies that a higher effective interest rate (EIR) is being earned
- c. If the bank decreases the number of compounding periods, the amount earned on a deposit increases. This implies that a higher effective interest rate (EIR) is being earned

**14. An investor does not earn interest on reinvested interest, what type of interest is the investor receiving?**

- a. He is receiving simple interest
- b. He is receiving compound interest
- c. He is receiving general interest

**15. The foreign exchange market involves which of the following transactions?**

- a. The buying and selling of foreign notes and coins only
- b. Foreign deposits and investments only
- c. All the above

**16. Which one of the following is an economic function of secondary markets?**

- a. Liquidity and investment returns
- b. Branch of primary market
- c. Implementation of monetary policy

**17. You are quoted an interest rate of 10% compounded quarterly. What is the effective rate of interest?**

- a. 9%
- b. 10.4%
- c. 10%

**18. Loveness Baloyi plans to put her graduation money into an account and leave it there for 4 years while she goes to college. She receives R750 in graduation money that she puts it into an account that earns 4.25% interest compounded semi-annually. How much will be in Loveness's account at the end of four years?**

- a. R887.40
- b. R885.86
- c. R3503.61

**19. ABC Bank is offering to double your money. They say that if you invest with them at 6% interest compounded quarterly they will double your money. If you invest R1500 in the account, how long will it take to double your money?**

- a. 11.64 years
- b. -0.23 years
- c. 1.97 years

**20. An exchange traded fund (ETF)...**

- a. also called a low risk tracker fund
- b. is a fund set up to track a particular share
- c. an inexpensive way of gaining exposure to a relevant segment of the share market

**21. A hedge fund ...**

- a. is the same as an Index fund
- b. is not similar to a pooled fund such a unit trust and a retirement fund.
- c. has less of the statutory limitations of the other collective investment schemes

**22. The future value of a dollar that you invest today is:**

- a. more than a dollar today
- b. equal to a dollar today
- c. less than a dollar today

**23. A 100g packet of chocolate costs R2.50. Assuming inflation averages 2.8% per annum over each of the next 3 years, how much will the chocolate cost in three years?**

- a. R2.64
- b. R2.87
- c. R2.95

**24. The central bank of South Africa (SARB) does all of the following except...**

- a. set and implement monetary policy
- b. maintain stability within the industry and protect financial consumers
- c. manage and govern the financial services sector

**25. In the event of the liquidation of the company....**

- a. debt stand behind preference shares in the line-up for payment
- b. ordinary shares stand behind the debt in the line-up for payment in companies
- c. preference shares stand behind ordinary shares in the line-up for payment

**26. Which of the following is not a type of retirement fund?**

- a. Defined Benefit Fund
- b. Provident Fund
- c. Annuity Fund

**27. Inflation risk and country risk are examples?**

- a. Inflation risk and country risk are both examples of market risk and security-specific risk
- b. Inflation risk and country risk are both examples of systematic risk and market risk
- c. Inflation risk and country risk are both examples of market risk

**28. Which one of the following statements about return is false?**

- a. It is the sum of capital gains and dividends or interest
- b. There is a positive relationship between risk and return
- c. None of the above

**29. A Rand return is divided by invested amount which is used for calculating the?**

- a. rate of return
- b. return amount
- c. investment rate

**30. Which one of the following statements is most correct?**

- a. The primary market is the market for the issue of new securities in order to borrow money for consumption or investment purposes
- b. The primary market is the market for the issue of new securities, which refers to shares only
- c. The primary market is the market for the issue of new securities, which refers to bonds only