

## 2023

**ROUND ONE**

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**UJ FIMO PAPER ONE**

**GR 10 11 12**

1. Complete questions on the ANSWER SHEET provided.
2. Complete all information on the ANSWER SHEET.
3. The ANSWER SHEET consist of 30 multiple choice questions.
4. There are 4 possible answers per question (A B C D)  
Only one answer is correct.
5. Colour a circle completely.
6. Good luck!

1. Which of the following is NOT part of the 'Duties to clients' standard of professional conduct?
- a. Prudence and Care.
  - b. Preservation of confidentiality.
  - c. Communication with Clients and Prospective Clients.
  - d. Fair Dealing.

2. Which of the following is NOT part of the 'Professionalism' standard of professional conduct?
- a. Misrepresentation
  - b. Record retention
  - c. Independence and Objectivity
  - d. Knowledge of the law

3. Which of the following does not form part of the fundamental principles of the code of ethics:

I Integrity and Objectivity.

II Professional Competence and Due Care.

III Confidentiality.

IV Due Diligence.

- a. I and II
- b. III only
- c. IV only
- d. All of the above

4. The financial system is made up of different components. Which of the following is NOT a component of the financial system?

I Financial Instruments

II Financial markets

III Lenders and borrowers

IV Financial Intermediaries

- a. I and II
- b. I, II and III
- c. IV
- d. All of them are components of the financial system.

5. Which of the following is TRUE regarding financial exchanges?

- a. Allow broker-dealers to facilitate trading in securities.
- b. Analyse relevant financial and economic data pertaining to the issuers of securities and assign ratings.
- c. Regulate and supervise all players in the financial system.

d. A financial intermediary that manages funds on behalf of principals.

6. \_\_\_\_\_ execute trades for people other than themselves and are also commonly referred to as \_\_\_\_\_.

- a. brokers; hedge funds
- b. dealers; liquidity providers
- c. brokers; liquidity providers
- d. dealers; brokers

7. Newly issued financial instruments with maturities shorter than one year will be on which markets?

I. capital markets

II. money markets

III. primary markets

IV. secondary markets

- a. I and III
- b. II and III
- c. I and IV
- d. II and IV

8. These instruments are required to be rated by one or more rating agencies before any investor will consider them:

- a. Bonds
- b. Central bank securities
- c. Non-Negotiable Certificate of Deposits
- d. Preference shares

9. Indicate whether the following statements are true or not.

Statement 1: Beta is unsystematic risk.

Statement 2: Unsystematic risk is diversifiable.

- a. Statement 1 is true.
- b. Statement 2 is true.
- c. Both statements are true.
- d. Both statements are false.

10. The basic accounting equation is:

- a.  $\text{equity} = \text{assets} - \text{liabilities}$
- b.  $\text{assets} = \text{equity} - \text{liabilities}$

- c. liabilities = income + expenses
- d. liabilities = assets + equity

11. Which of the following is not a component of security specific risk?
- a. liquidity risk
  - b. interest rate risk
  - c. financial risk
  - d. business risk
12. An investment advisor has decided to purchase stocks, bonds, and cryptocurrencies in equal amounts. This decision reflects which part of the investment process?
- a. investment analysis
  - b. portfolio analysis
  - c. security selection
  - d. asset allocation
13. The value of a derivative security \_\_\_\_\_.
- a. has been enhanced due to the recent misuse and negative publicity regarding these instruments.
  - b. depends on the value of the related security.
  - c. is unrelated to the value of the related security.
  - d. is unable to be calculated.
14. An American put option allows the buyer to?
- a. sell the underlying asset at a predetermined price on or before the expiry of a specified period.
  - b. buy the underlying asset at a predetermined price on or before the expiry of a specified period.
  - c. swap payment obligations with another counterparty.
  - d. sell the option in the open market prior to expiry of a specified period.
15. Which of the following is considered to be an alternative investment instrument:
- a. Exchange traded funds
  - b. Property unit trusts
  - c. Private equity
  - d. Retirement funds
16. If the one-year return on the FTSE/JSE All-Share Index is 6% and the market risk premium is 5%, the risk-free interest rate is closest to?
- a. -1%
  - b. 1%

- c. 11%
  - d. the information provided is insufficient to determine the risk-free interest rate
17. If you bought a share in Sasol Ltd for R390 in April 2022 and the company paid a dividend of R15 per share over the last year, what will the holding period return for the share be if you sold the share in March 2023 for R260?
- a. 55.75%
  - b. -29.50%
  - c. -33.33%
  - d. 50.00%
18. A portfolio is made up of 40% equities which earn a return of 12%, 30% bonds which earn a return of 5%, and 30% cryptocurrencies which earn a return of -25%. What is the portfolio's return?
- a. -2.2%
  - b. -1.2%
  - c. 0.2%
  - d. 1.2%
19. A portfolio has 70% invested in equities and 30% invested in bonds. If the standard deviation of equities is 21.4%, the standard deviation of bonds is 9.8% and the covariance between equities and bonds is 1.42%, what is the standard deviation of the portfolio?
- a. 12.62%
  - b. 17.11%
  - c. 17.92%
  - d. 25.45%
20. To achieve maximum diversification in a two-asset portfolio, investors should choose assets with a correlation of:
- a. +1.0
  - b. -0
  - c. -1.0
  - d. -0.5
21. What is the organisation that deals with South Africa's fiscal policy called?
- a. National Treasury
  - b. ANC
  - c. Reserve Bank
  - d. Policy research department
22. What is the official current unemployment rate in South Africa (as of Q4 2022)?

- a. 31.5%
- b. 32.7%
- c. 33.9%
- d. 34.6%

23. If the current South African Rand to US Dollar exchange rate is 0.05376344, how much would it cost you to buy \$1?

- a. R15.60
- b. R16.60
- c. R17.60
- d. R18.60

24. What is the price of a 182-day Treasury Bill with a discount rate of 9.5% and an nominal value of R1000?

- a. R953.41
- b. R952.76
- c. R952.63
- d. R951.97

25. If your HPR for a 5-year investment is 50%, what is your annualized HPR?

- a. 8.45%
- b. 9.50%
- c. 10.00%
- d. 12.50%

26. If you receive an income of R400 000 a year and the inflation rate is currently 10%, how much income will you need to obtain in 5 years' time in order to be able to maintain your current living standard?

- a. R444 204
- b. R544 204
- c. R644 204
- d. unable to determine as you need more information.

27. Pumzile Dube plans to buy a car worth R420 000 today. She is required to pay 15 percent as a down payment and the remainder is to be paid as a monthly payment over the next 60 months with the first payment due at  $t = 1$ . Given that the interest rate is 10% per annum compounded monthly, which of the following is most likely to be the approximate monthly payment?

- a. R7 585
- b. R8 031
- c. R8 924
- d. R10 262

28. How long will it take an investment of R100 000 to grow three times in value to R300 000? Assume that the interest rate is 6 percent per year compounded annually.
- 7.5 years
  - 11.9 years
  - 18.9 years
  - 21.3 years
29. You are quoted an interest rate of 5% compounded continuously. What is the effective rate of interest?
- 12.75%
  - 12%
  - 11.39%
  - None of the above
30. You need R2 000 000 in 10 years' time. You are willing to place a once-off amount of R250 000 into an investment. What rate of interest is the closest to what should you earn in order to reach your objective?
- 12.8%
  - 18.6%
  - 23.2%
  - None of the above