

Applied Investment and Finance Analyst Practice Test Questions and Answers

1. What is the primary purpose of discounted cash flow (DCF) analysis in investment evaluation?

- A) To calculate historical performance only
- B) To estimate the present value of future cash flows to determine investment value
- C) To assess marketing strategies
- D) To evaluate employee satisfaction

2. Which financial ratio is most important for assessing a company's ability to pay short-term debts?

- A) Debt-to-equity ratio
- B) Current ratio
- C) Price-to-earnings ratio
- D) Return on assets

3. What does beta measure in portfolio analysis?

- A) Company size
- B) Systematic risk relative to market movements
- C) Profit margins
- D) Dividend yield

4. Which approach is most effective for risk management in investment portfolios?

- A) Investing in a single asset class
- B) Diversification across asset classes, sectors, and geographic regions
- C) Following market trends exclusively
- D) Avoiding all volatile investments

Answers: 1-B 2-B 3-B 4-B

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