

CFA Practice Test Questions and Answers

1. What is the primary purpose of the Global Investment Performance Standards (GIPS)?

- A) To regulate mutual fund fees
- B) To provide a standardized framework for presenting investment performance
- C) To establish minimum capital requirements for investment firms
- D) To determine tax obligations for portfolio managers

2. In the context of portfolio management, what does the Sharpe ratio measure?

- A) The correlation between portfolio returns and market returns
- B) The excess return per unit of total risk
- C) The portfolio's sensitivity to interest rate changes
- D) The percentage of portfolio returns explained by systematic risk

3. According to the Efficient Market Hypothesis, which form of market efficiency suggests that all publicly available information is reflected in stock prices?

- A) Weak form efficiency
- B) Semi-strong form efficiency
- C) Strong form efficiency
- D) Perfect form efficiency

4. What is the main difference between forward contracts and futures contracts?

- A) Forward contracts are standardized while futures are customized
- B) Forward contracts are traded over-the-counter while futures are exchange-traded
- C) Forward contracts require daily margin calls while futures do not
- D) Forward contracts can only be used for commodities while futures can be used for any asset

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

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