

### **Sample Questions –**

The questions below are taken from our mock exams and designed to provide you with an indication of the nature and level of the IMC exam. For both unit 1 and unit 2, one question is shown from each topic area.

## Unit 1 – Sample questions

1. Which of the following is least likely to be considered a solution to the 'principal– agency' problem'?

- (a) Shareholder activism
- (b) Incentivising managers in the form of shares
- (c) Monitoring of managers by the board of directors
- (d) Firms operating with dual capacity

Ans: (d)

2. Wilfred is an investment manager for a wealth management firm. He receives research from analysts at his firm recommending a 'sell' for shares in a company called Techy Tech Industries plc. He then sells his own personal holding of Techy Tech shares before disseminating the recommendation to his clients. In doing so he has:

- (a) Not violated any of the CFA Standards of Professional Conduct
- (b) Violated Standard VIB: Priority of transactions
- (c) Violated Standard VB: Communication with clients and prospective clients
- (d) Violated Standard IIIC: Suitability

Ans: b

3. Which of these factors would allow a company to be treated as a per se professional client in relation to MiFID business?

- (a) Own funds of €2.5 million and a balance sheet total of €21 million
- (b) Balance sheet total of €11 million and net turnover of €50 million
- (c) Net turnover of €45 million and own funds of €1 million
- (d) Net turnover of €25 million and a balance sheet total of €45 million

Answer: a

4. What is the administrator of a bankrupt person's financial affairs called?

- (a) Official registrar

(b) Official representative

(c) Official receiver

(d) Official referee

Ans: c

5. Which of the following is least likely to be a reason for a company to close its defined benefit pension scheme?

(a) An increase in the pension fund deficit

(b) The requirement to disclose the funding position of the fund in the company accounts

(c) An increase in return on assets held by the scheme

(d) An increase in the longevity of the fund members

Ans: c

6. Jack and Wendy had been married for thirty years when Jack died leaving a gift of £75,000 to his children. At the time of Jack's death the nil rate band is £300,000. If Wendy subsequently dies when the nil rate band is £325,000, what is the total nil rate band available on her estate?

Important! You should enter the answer only in numbers strictly using this format: 000,000

Do not include spaces, letters or symbols, but decimal points and commas should be used if indicated.

Ans: £568,750

Unit 2 – Sample Questions

## Unit 2 Sample Questions .

1. What is the present value of £5,000 which will be received in four year's time if the discount rate is 8% per annum?

(a) £3,402.92

(b) £3,675.15

(c) £3,969.16

(d) £6,802.44

Ans: b

2. A pure monopolist maximises profits where:

(a) Marginal costs are greater than average costs

(b) Marginal revenue just equals marginal cost

(c) Marginal revenue is greater than marginal cost

(d) The average cost curve is upward sloping

Ans: b

3. Which of the following is NOT a leading indicator of economic activity?

(a) Unemployment

(b) Stock market

(c) Money supply

(d) Credit growth

Ans: (a)

4. XYZ Plc has an operating profit of £6m, issued share capital of £20m, long-term debts of £12m and reserves of £8m. What is XYZ's return on capital employed?

(a) 30%

(b) 23.3%

(c) 18.7%

(d) 15%

Ans: (d)

5. Given an industry average P/E ratio of 12, a company JKL had earnings per share last year of £0.25. What would be a fair valuation of the JKL based on P/E?

(a) £1.50

(b) £3.00

(c) £4.80

(d) £48.00

Ans: (b)

6. A bond paying an 8% coupon with exactly 2 years to maturity is priced at £96.53 with a face value of £100. What is the internal rate of return ignoring tax?

(a) 9%

(b) 10%

(c) 11%

(d) 12%

Ans: (b)

7. Which of these 'Greeks' is commonly used to denote the sensitivity of option price with respect to interest rates?

(a) Theta

(b) Gamma

(c) Rho

(d) Vega

Ans: c

8. In a private equity partnership, which of the following terms best describes the investment managers?

- (a) Equal partners
- (b) Limited partners
- (c) General partners
- (d) Senior partners

Ans: c

9. A well diversified portfolio has a CAPM beta of 1.1 and a covariance of return with the market of 250. What is the variance of the return on the market?

- (a) 198.8
- (b) 206.6
- (c) 215.9
- (d) 227.3

Ans: (d)

10. Which of the following is considered a hard commodity?

- (a) Wheat
- (b) Pork Bellies
- (c) Aluminium
- (d) Coffee

Ans: c

11. A fund begins Year 1 with a value of £14m. At the beginning of Year 2 a further £6m is deposited in the fund. No further deposits or withdrawals are made during the two years. If the money-weighted return on the fund over the entire two years is 12% per annum, what is the value of the fund at the end of year 2?

- (a) £20.00m
- (b) £21.68m

(c) £24.28m

(d) £25.08m

Ans: c