1 Proactive risk management is sometimes described as fire fighting.
   A) True
   B) False

2 Software risk always involves two characteristics
   A) fire fighting and crisis management
   B) known and unknown risks
   C) uncertainty and loss
   D) staffing and budget

3 Three major categories of risks are
   A) business risks, personnel risks, budget risks
   B) project risks, technical risks, business risks
   C) planning risks, technical risks, personnel risks
   D) management risks, technical risks, design risks

4 Generic risks require far more attention than product-specific risks.
   A) True
   B) False

5 A risk item checklist would contain known and predictable risks from which of these categories?
   A) product size
   B) development environment
   C) staff size
D) process definition
E) all of the above

6 Questions that should be asked to assess the overall project risk include:

A) Have top managers formally committed to support the project?
B) Are end-users committed to the project and proposed system being built?
C) Are requirements fully understood by development team and customers?
D) Does the proposed budget have time allocated for marketing?
E) a, b and c

7 Software risk impact assessment should focus on consequences affecting

A) planning, resources, cost, schedule
B) marketability, cost, personnel
C) business, technology, process
D) performance, support, cost, schedule

8 Risk projection attempts to rate each risk in two ways

A) likelihood and size
B) likelihood and probability
C) likelihood and impact
D) likelihood and mitigation

9 Risk tables are sorted by

A) probability and cost
B) probability and impact
10 Individual team members can make their own estimate for a risk probability and then develop a consensus value.

A) True
B) False

11 Which factors affect the probable consequences likely if a risk does occur?

A) risk cost
B) risk timing
C) risk scope
D) risk resources
E) both b and c

12 A risk referent level is a risk component value (performance, cost, support, schedule) or combination of values that cause a project to be terminated.

A) True
B) False

13 The reason for refining risks is to break them into smaller units having different consequences.

A) True
B) False

14 An effective risk management plan will need to address which of the following issues?
A) risk avoidance  
B) risk monitoring  
C) contingency planning  
D) all of the above

15 Risk monitoring involves watching the risk indicators defined for the project and not determining the effectiveness of the risk mitigation steps themselves.

A) True  
B) False

16 Hazard analysis focuses on the identification and assessment of potential hazards that can cause

A) project termination  
B) schedule slippage  
C) external problems  
D) entire system to fail

17 Risk information sheets (RIS) are never an acceptable substitute for a full risk mitigation, monitoring, and management (RMMM) plan.

A) True  
B) False

1. This type of risk is avoidable through proper diversification.
A. portfolio risk  
B. systematic risk  
C. unsystematic risk  
D. total risk  

2. A statistical measure of the degree to which two variables (e.g., securities' returns) move together.
   
   A. coefficient of variation  
   B. variance  
   C. covariance  
   D. certainty equivalent  

3. An "aggressive" common stock would have a "beta"
   
   A. equal to zero.  
   B. greater than one.  
   C. equal to one.  
   D. less than one.  

4. A line that describes the relationship between an individual security's returns and returns on the market portfolio.
   
   A. characteristic line  
   B. security market line  
   C. capital market line  
   D. beta  

5. According to the capital-asset pricing model (CAPM), a security's expected (required) return is equal to the risk-free rate plus a premium
   
   A. equal to the security's beta.  
   B. based on the unsystematic risk of the security.  
   C. based on the total risk of the security.  
   D. based on the systematic risk of the security.
6. The risk-free security has a beta equal to , while the market portfolio's beta is equal to .

   A. one; more than one.
   B. one; less than one.
   C. zero; one.
   D. less than zero; more than zero.

7. Carrie has a "certainty equivalent" to a risky gamble's expected value that is less than the gamble's expected value. Carrie shows

   A. risk aversion.
   B. risk preference.
   C. risk indifference.
   D. a strange outlook on life.

8. Beta is the slope of

   A. the security market line.
   B. the capital market line.
   C. a characteristic line.
   D. the CAPM.

9. A measure of "risk per unit of expected return."

   A. standard deviation
   B. coefficient of variation
   C. correlation coefficient
   D. beta

10. The greater the beta, the of the security involved.

    A. greater the unavoidable risk
    B. greater the avoidable risk
    C. less the unavoidable risk
    D. less the avoidable risk
11 Which of the following statements is a correct statement about information?
   A) It is always desirable for some people to have more information than others.
   B) Adverse selection will still occur even if there is full information given to all market participants.
   C) Information does not significantly impact how the economy functions.
   D) Asymmetric information may lead to the disappearance of a market.

12 Which of the following phenomena illustrate that many individuals are risk averse?
   A) Home-owners buying insurance policies.
   B) The popularity of high-stakes poker tournaments.
   C) Car drivers regularly driving faster than the speed limit.
   D) Investing in one stock rather than a portfolio.

13 Which of the following statements is true?
   A) A mineral rights auction is an example of a common value auction.
   B) An auctioneer is always indifferent between different kinds of auctions.
   C) The Dutch and second-price, sealed-bid auctions are strategically equivalent.
   D) A first-price auction always yields lower expected revenues than a Dutch auction.

1 The best known form of risk transfer is insurance.
   A) True
   B) False
2 Fidelity bonds provide protection against the failure of a contractor to fulfill contractual obligations.
   A) True
   B) False

3 Daily deposits of cash are recommended to reduce the chance of armed robbery.
   A) True
   B) False

4 White-collar crimes are primarily committed by managerial, professional, and technical employees.
   A) True
   B) False

5 An unbending rule should be that under no circumstance is it permissible to remove confidential material from the restricted area or from the business premises.
   A) True
   B) False

6 A hail storm would be an example of a(n):
   A) market risk.
   B) pure risk.
   C) speculative risk.
   D) voluntary risk.
7 Insurance is an example of risk:
   A) avoidance.
   B) prevention.
   C) transfer.
   D) assumption.

8 Which of the following strategies is NOT likely to reduce the risk of robbery?
   A) Vary the bank deposit times from day to day.
   B) Post a sign stating that the cash in cash drawers does not exceed $50.
   C) Hide safes in unobtrusive places and limit the number of employees knowing the combination.
   D) Ensure vehicle parking is very near to the entrance of your business.

9 _____ involves demanding payment of shoplifters or their parents for the items taken.
   A) Speculative risk
   B) Coinsurance
   C) Civil restitution
   D) Product liability

10 White collar crimes:
   A) add 15-20 percent to the price of products we buy.
   B) happen only in large businesses.
   C) can be minimized through the use of security guards.
   D) include shoplifting and armed robberies.
1. The sale of a new issue of common stock of which there are already shares publicly held is known as:
   a. an IPO.
   b. a secondary market issue.
   c. an EPO.
   d. a seasoned new issue.

   (d, easy)

2. In an underwriting arrangement, the risk is assumed by the:
   a. issuer of the security
   b. investment bankers
   c. commercial bankers
   d. institutional investors

   (b, easy)

3. The __________ summarizes information about a new security issue.
   a. syndicate offer
   b. IPO
   c. prospectus
   d. shelf rule
4. Investment bankers are compensated by:
   a. the underwriting spread
   b. commissions paid by the buyers of the security
   c. commission paid by the sellers of the security
   d. guaranteed investment contracts

(a, moderate)

5. A major appeal for U.S. firms selling bonds in the Euro market is:
   a. less regulation than in the U.S.
   b. lower bond yields than in the U.S.
   c. less competition than in the U.S.
   d. less price volatility than in the U.S.

(b, difficult)

6. A major advantage of private placements over public offerings is:
   a. greater marketability
   b. lower interest cost
   c. elimination of SEC registration
   d. all of the above

(c, moderate)

7. The shelf rule
   a. became effective in 1933
b. involves securities that are placed directly with financial institutions

c. permits qualified companies to file a short form registration

d. involves dealer procedures in the OTC market

(c, moderate)

8. Investment bankers operate in the:

a. primary market

b. secondary market

c. third market

d. fourth market

(a, easy)

1 The market for venture capital refers to the:

A) Private financial marketplace for providing equity investment for small, startup firms

B) Bond market

C) Market for providing equity to well-established firms

D) All of the above

2 Registration statements are filed with the:

A) Federal Reserve Board (FED)

B) Federal Reserve Bank (FRB)

C) Securities and Exchange Commission (SEC)
3. Generally, underwriters provide the following services to the issuing firm:
   A) Provide advice
   B) Buy new issue
   C) Reselling the issue to the public
   D) All of the above

4. A group of investment bankers who pool their efforts to underwrite a large issue of a security is known as:
   A) A syndicate
   B) A private placement
   C) A tombstone group
   D) An underwriter's group

5. Generally initial public offerings (IPOs) are:
   A) Overpriced
   B) Correctly priced
   C) Under-priced
   D) Can not be determined

6. A security issue sold directly to the public is called:
   A) A rights offer
   B) A general cash offer
   C) A private placement
D) An uniform-price auction

7 The provision that allows companies to file a single registration statement covering financing plans for up to two years is called:
   A) Syndicate
   B) Blue-sky laws
   C) Shelf registration
   D) None of the above

8 A bond that is underwritten by a group of international banks and offered simultaneously to investors in a number of countries is called:
   A) American Depositing Receipts (ADRs)
   B) Eurobond
   C) World Bond
   D) Bought deal

9 When a company sells an entire issue of securities to a small group of institutional investors like life insurance companies, pension funds etc., it is called
   A) A rights offering
   B) A general art offering
   C) A private placement
   D) An unseasoned issue

10 Venture capitalists rarely give a young company all the money it will need up front. Rather, they rely on staging.
   A) True
   B) False
11 A rights issue is also called:

A) A private placement  
B) Shelf registration  
C) Initial public offering (IPO)  
D) A privileged subscription

12 Klear Sky Corporation has 1,000,000 shares outstanding. It wishes to issue 250,000 new shares using rights issue. How many rights are needed to buy one new share?

A) 1 right/share  
B) 2 rights/share  
C) 3 rights/share  
D) 4 rights/share

13 Assuming everything else remains the same, when a stock goes ex-rights its price should:

A) Increase  
B) Decrease  
C) Remain the same  
D) Impossible to predict

14 Underpricing is not a serious problem for most initial public offerings (IPOs)

A) True  
B) False

15 Shelf registration allows the firm to file a registration statement with the SEC to cover a series of subsequent issues.
16 The management company of a venture capital fund generally receives a fixed fee and a share of the profits, called:

A) Carried interest
B) Spread
C) Private equity
D) Mezzanine financing

17 Wealthy individuals who invest in the new companies are known as

A) Angel Investors
B) Presidential candidates
C) Stakeholders
D) Financial Gurus

18 For every ten first-stage venture capital investments only two or three may survive as successful, self-sufficient businesses.

A) True
B) False

19 Blue-Sky laws

A) regulate sales of long-term debt within the state
B) regulate public offering registration within the state
C) regulate sales of securities within the state
D) None of the above
20 Wise bidders know that there is little cost to overbidding in

A) Uniform-price auction
B) Discriminatory auction
C) Both A and B
D) None of the above

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D) Environmental Protection Agency (EPA)
E) Federal Bureau of Investigation (FBI)
3 Generally, underwriters provide the following services to the issuing firm:
   A) Provide advice
   B) Buy new issue
   C) Reselling the issue to the public
   D) All of the above

4 A group of investment bankers who pool their efforts to underwrite a large issue of a security is known as:
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   C) Under priced

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   B) A general cash offer
   C) A private placement
   D) An uniform-price auction

7 SEC Rule 415 refers to:
A) The issuance of securities to qualified institutional investors
B) Blue-sky laws
C) The provision, which allows large companies to file a single registration statement covering financing plans up to two years, also known as shelf registration
D) None of the above

8 A security issued in the United States that represents shares of stock in a foreign company is called:
A) American Depositing Receipts (ADRs)
B) Euros
C) A bought deal
D) None of the above

9 When a company sells an entire issue of securities to a small group of institutional investors like life insurance companies, pension funds etc., it is called
A) A rights offering
B) A general art offering
C) A private placement
D) An unseasoned issue

10 SEC registration is required when a company makes
A) A public offering of securities issue of value greater than $5 million
B) A private placement of securities
C) Both a and b
D) A public offering of securities issue of value less than $5 million and maturities less than 9 months