

Old Exam Questions
Indexing

READ FIRST: The following questions are reproduced from my previous exams. Exam formats have differed over time, so you may notice some differences in formatting or question style. The intent is that these questions will help you to practice, but it is **NOT** intended to replace your own study habits.

1. The S&P 500 index is constructed using _____-weighting, and the Dow Jones Industrial Average is constructed using _____-weighting.
 - A. Price; Price
 - B. Price; Value
 - C. Value; Price
 - D. Value; Value
 - E. None of these combinations are correct
2. The S&P 500 is float adjusted. This means that many firms' weight will be calculated using a number of shares that is _____ their official shares outstanding.
 - A. Equal to
 - B. Greater than
 - C. Less than

3. You want to create an equally weighted index covering three firms. To start, you have gathered the following data for the past two months:

Company	July 31 st	August 31 st	Shares Outstanding
Tangy Outlet Co.	\$50	\$53.50	100
Georgia Instruments	\$40	\$44	50
MeTube Inc.	\$10	\$8	300

What is the return on your index for the month of August?

- A. -10%
 - B. -6.5%
 - C. -0.5%
 - D. 5.5%
 - E. A different value
4. Which of the following is **NOT** a commonly used classification system for grouping firms into industries?
 - A. Global Industry Classification Standard
 - B. Industry Classification Benchmark
 - C. North American Industry Classification System
 - D. Numerical Industrial Classification Standard
 - E. Standard Industrial Classification
 - F. All of these are widely used classification system

5. A portfolio formed by buying 1% of each firm's total shares outstanding would be an example of a _____-weighted index.

- A. Equally
- B. Price
- C. Value

6. 6 months ago, you constructed a price weighted index made up of three firms. You know the following information:

Company	March 14 th	Today
Excelvest Corp.	\$40	\$50
Terry, Inc.	\$35	\$40
Tableaux Investments	\$75	???

Given that your index has earned a 20% return, what is the stock price of Tableaux Investments?

- A. \$75
- B. \$80
- C. \$85
- D. \$90
- E. A different value

7. You are provided with the following data:

Company	Price as of 12/1	Shares Outstanding as of 12/1
AubCorp	\$80	1,000
Okie Sales	\$100	900
Spartan Inc.	\$50	2,000

Suppose that you wanted to construct a price weighted index of these three stocks. List the firms from highest weight to lowest weight in the index.

- A. AubCorp, Okie Sales, Spartan Inc.
- B. AubCorp, Spartan Inc., Okie Sales
- C. Okie Sales, AubCorp, Spartan Inc.
- D. Okie Sales, Spartan Inc., AubCorp
- E. Spartan Inc., AubCorp, Okie Sales
- F. Spartan Inc., Okie Sales, AubCorp

8. You are given the following data:

Company	10/31 Price	11/30 Price
BCD Media	\$50	\$55
StuffCo	\$30	\$36
Turtog	\$40	\$37

What is the return on an equally-weighted index of these three stocks?

- A. 5%
- B. 7.5%
- C. 10%
- D. 12.5%
- E. A different value

9. [Quantitative] You have the following data on three firm for last year:

Company Name	Return	Price	Number of Shares
JayTar, Inc.	15%	\$40	1,500
Peach Computers	-3%	\$50	1,000
Wicks 'R' Us	9%	\$60	750

Given this, what would have been the return on an equally-weighted index of the 3 firms?

- A. 7%
- B. 8%
- C. 9%
- D. 10%
- E. A different value

10. [Conceptual] Using a price-weighted index, which of the following stocks would receive the highest weight?

Company Name	Price	Number of Shares
IBMD, Inc.	\$60	1,000
Tangy Computers	\$36	2,000
Wall Co.	\$40	1,750

- A. IBMD, Inc.
- B. Tangy Computers
- C. Wall Co.
- D. They all would have the same weight

11. [Conceptual] Using a price-weighted index, which of the following stocks would receive the highest weight?

<u>Company Name</u>	<u>Price</u>	<u>Number of Shares</u>
JayTar, Inc.	\$60	1,000
Peach Computers	\$36	2,000
Wicks 'R' Us	\$40	1,750

- A. JayTar, Inc.
B. Peach Computers
C. Wicks 'R' Us
D. They all would have the same weight
12. [Conceptual] The Dow Jones Industrial Average is a(n) _____-weighted index, while the S&P 500 is a(n) _____-weighted index.
- A. Equal; Price
B. Equal; Value
C. Price; Value
D. Value; Equal
E. Value; Price
13. [Quantitative] You have gathered data on 3 companies over the course of a year. It is presented in the following table:

<u>Company</u>	<u>August 31st, 2016</u>	<u>August 31st, 2017</u>	<u>Shares Outstanding</u>
OB Associates	\$70	\$63	1,000
Debt Solutions	\$50	\$52.50	2,000
Joy Deliveries	\$30	\$36	3,000

Given this information, what would be the return of a price-weighted index of these 3 companies over that year?

- A. 1%
B. 3%
C. 6.15%
D. 6.67%
E. A different value

14. [Quantitative] You have gathered data on 3 companies over the course of a month. It is presented in the following table:

Company	July 31 st	August 31 st
Schrute Consulting	\$20	\$23
Halpert Sales	\$40	\$52
Scott Management	\$30	\$30

Given this information, what would be the return of an equally-weighted index of these 3 companies over that month?

- A. 12%
 - B. 15%
 - C. 16.67%
 - D. 20%
 - E. A different value
15. [Conceptual] Which of the following is a larger category?
- A. Industry
 - B. Industry Group
 - C. Sector
 - D. Sub-Sector
 - E. It depends where the data came from
16. [Conceptual] Which type of index weighting are we **LEAST** likely to use?
- A. Equal
 - B. Price
 - C. Value
 - D. They're all equally useful
17. [Conceptual] Which of the following is **NOT** a major classification system that you might see used day to day?
- A. Global Industry Classification Standard
 - B. Industry Classification Benchmark
 - C. North American Industry Classification System
 - D. Numerical Industry Classification Standard
 - E. Standard Industrial Classification

18. [Quantitative] You have gathered data on 3 companies over a three month period. It is presented in the following table:

Company	May 31 st	August 31 st	Shares Outstanding
Neighbor Corp	\$120	\$126	100
Stuff Co.	\$50	\$60	100
Redd IT	\$30	\$24	500

Given this information, what would be the return of a value-weighted index of these 3 companies over that quarter?

- A. -4.38%
- B. -2.5%
- C. 1.33%
- D. 5%
- E. A different value