

## Chapter 4 - Practice Questions

1. Most actively managed mutual funds, when compared to a market index such as the Wilshire 5000,
  - A) beat the market return in all years.
  - B) beat the market return in most years.
  - C) exceed the return on index funds.
  - D) do not outperform the market
  - E) None of the above is a correct statement.
  
2. Investors' Choice Fund had NAV per share of \$37.25 on January 1, 2003. On December 31 of the same year the fund's rate of return for the year was 17.3%. Income distributions were \$1.14 and the fund had capital gain distributions of \$1.35. Without considering taxes and transactions costs, what ending NAV would you calculate for Investors' Choice?
  - A) \$41.20
  - B) \$33.88
  - C) \$43.69
  - D) \$42.03
  - E) \$46.62
  
3. Which of the following characteristics apply to unit investment trusts?
  - I) Most are invested in fixed-income portfolios.
  - II) They are actively managed portfolios.
  - III) The sponsor pools securities, then sells public shares in the trust.
  - IV) The portfolio is fixed for the life of the fund.
  - A) I and IV
  - B) I and II
  - C) I, III, and IV
  - D) I, II, and III
  - E) I, II, III, and IV
  
4. Patty O'Furniture purchased 100 shares of Green Isle mutual fund at a net asset value of \$42 per share. During the year Patty received dividend income distributions of \$2.00 per share and capital gains distributions of \$4.30 per share. At the end of the year the shares had a net asset value of \$40 per share. What was Patty's rate of return on this investment?
  - A) 5.43%
  - B) 10.24%
  - C) 7.19%
  - D) 12.44%
  - E) 9.18%

5. A mutual fund had year-end assets of \$560,000,000 and liabilities of \$26,000,000. There were 23,850,000 shares in the fund at year end. What was the mutual fund's Net Asset Value?
- A) \$22.87
  - B) \$22.39
  - C) \$22.24
  - D) \$17.61
  - E) \$19.25
6. A mutual fund had NAV per share of \$26.25 on January 1, 2003. On December 31 of the same year the fund's rate of return for the year was 16.4%. Income distributions were \$1.27 and the fund had capital gain distributions of \$1.85. Without considering taxes and transactions costs, what ending NAV would you calculate?
- A) \$27.44
  - B) \$33.88
  - C) \$24.69
  - D) \$42.03
  - E) \$16.62
7. A mutual fund had NAV per share of \$36.15 on January 1, 2003. On December 31 of the same year the fund's rate of return for the year was 14.0%. Income distributions were \$1.16 and the fund had capital gain distributions of \$2.12. Without considering taxes and transactions costs, what ending NAV would you calculate?
- A) \$37.93
  - B) \$34.52
  - C) \$44.69
  - D) \$47.25
  - E) \$36.28
8. You purchased shares of a mutual fund at a price of \$12 per share at the beginning of the year and paid a front-end load of 4.75%. If the securities in which the fund invested increased in value by 9% during the year, and the funds expense ratio was 1.5%, your return if you sold the fund at the end of the year would be \_\_\_\_.
- A) 4.75
  - B) 3.54
  - C) 2.65
  - D) 2.39
  - E) None of the above

## **Answer Key**

1. D
2. A
3. C
4. B
5. B
6. A
7. A
8. D