

AAFM CWM_LEVEL_2

Chartered Wealth Manager (CWM) Certification Level II Examination

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Question: 1

Section A (1 Mark)

According to the _____ if irrational traders cause deviations from fundamental value, rational traders will often be powerless to do anything about it.

- A. Theory of Limited Arbitrage
- B. Equity premium puzzle
- C. Present-biased preferences
- D. Inter Temporal Consumption

Answer: A

Question: 2

Section C (4 Mark)

Suppose you have a two-security portfolio containing Bonds A and B. The market value of Bond A is Rs. 6,000, and the market value of Bond B is Rs4,000. The duration of Bond A is 8.5, and the duration of Bond B is 4.0. Calculate the duration of the portfolio.

- A. 5.3
- B. 8.2
- C. 6.7
- D. 3.56

Answer: C

Question: 3

Section B (2 Mark)

Which of the following statements is/are true?

I.	The OECD Model issued in Double Taxation Convention on Income and Capital stresses on the right of state of residence to tax
II.	The UN Model issued in Double Taxation Convention on Income and Capital stresses on the right of state of source to tax
III.	For NRIs gains resulted from the sale of shares or mutual funds held for 12 months is taxed at rate of 20%.
IV.	A Resident is defined as Not Ordinarily Resident is an individual who has been a non- resident in 9 out of 10 Financial Years preceding the current year” or his stay in India totals to 729 days or less in 7 financial years preceding the current year.

- A. I, II and III
- B. I, II and IV
- C. I, III and IV
- D. II, III and IV

Answer: B

Question: 4

Section A (1 Mark)

The best way to maintain your credit rating is to:

- A. Use credit sparingly.
- B. Pay cash for your purchases.
- C. Repay your debts on time.
- D. Declare a bankruptcy.

Answer: C

Question: 5

Section B (2 Mark)

Mr. Neeraj has a portfolio consisting of two stocks A & B has a standard deviation of 5% while stock B has a standard deviation of 15%. Stock A comprises 40% of the portfolio and stock B consists of 60%. If the correlation of returns of A and B is 0.5, the variance of return on the portfolio is _____

- A. 35
- B. 85
- C. 94
- D. 103

Answer: D

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