

CISI Introduction to Investment - Level 3 Practice Test Questions and Answers

1. What is a 'gilt strip'?

- A) A gilt that has been downgraded by a credit rating agency
- B) A process by which the coupon payments and principal repayment of a gilt are separated and sold individually as zero-coupon bonds
- C) A gilt traded on the AIM market
- D) A gilt issued at a premium to its face value

2. What is 'currency risk'?

- A) The risk that a country changes its currency to a new denomination
- B) The risk that changes in exchange rates reduce the value of foreign investments when converted back to the investor's home currency
- C) The risk that a currency becomes illiquid and cannot be exchanged
- D) The risk that transaction costs on currency exchange erode all investment gains

3. What is a fund of funds?

- A) A fund that invests directly in shares and bonds from multiple countries
- B) A fund that invests in other investment funds rather than directly in securities
- C) A fund that only invests in government bonds from different countries
- D) A fund managed by multiple fund managers simultaneously

4. What is 'liquidity risk'?

- A) The risk that a company runs out of cash to pay its bills
- B) The risk that an investor cannot sell an investment quickly at a fair price when they need to
- C) The risk that interest rates change unexpectedly
- D) The risk that inflation exceeds the return on an investment

Answers: 1-B 2-B 3-B 4-B

For More CISI Introduction to Investment - Level 3 Questions and Answers FREE, CISI Introduction to Investment - Level 3 Online Prep Training, CISI Introduction to Investment - Level 3 Exam, CISI Introduction to Investment - Level 3 Study Guide, CISI Introduction to Investment - Level 3 Flashcards, CISI Introduction to Investment - Level 3 Quizzes visit:

CISI Introduction to Investment - Level 3 Practice Test