

# CISI Iol 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 a 'rights issue'?

- A) A company issuing bonus shares to existing shareholders at no cost
- B) An offer by a company to existing shareholders to buy additional new shares at a discount to the current market price
- C) A process by which shareholders vote to remove directors
- D) A government scheme allowing employees to buy shares in their employer

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

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