Question #1 of 12

Question ID: 1572830

Which of the following statements is *most accurate* regarding the dataset and samples used in bootstrap resampling?

A) A partial dataset is used, and the samples are different sizes.

B) The full dataset is used, and the samples are all the same size.

C) A partial dataset is used, and the samples are all the same size.

Question #2 of 12

Question ID: 1572825

Bill Phillips is developing a Monte Carlo simulation to value a complex and thinly traded security. Phillips wants to model one input variable to have negative skewness and a second input variable to have positive excess kurtosis. In a Monte Carlo simulation, Phillips can appropriately use:

A) neither of these variables.

B) both of these variables.

C) only one of these variables.

Question #3 of 12

Question ID: 1572827

In bootstrap resampling, a single observation from a full dataset:

A) may appear in multiple samples.

B) may appear either in exactly one sample or in no samples.

C) must appear in one and only one sample.

Question #4 of 12

Question ID: 1572823

Which of the following statements describes a limitation of Monte Carlo simulation?

A) Outcomes of a simulation can only be as accurate as the inputs to the model.

B) Simulations do not consider possible input values that lie outside historical experience.

C) Variables are assumed to be normally distributed but may actually have non-normal distributions.

Question #5 of 12

Question ID: 1572821

Which of the following statements regarding the distribution of returns used for asset pricing models is *most* accurate?

A) Lognormal distribution returns are used because this will allow for negative returns on the assets.

B) Normal distribution returns are used for asset pricing models because they will only allow the asset price to fall to zero.

C) Lognormal distribution returns are used for asset pricing models because they will not result in an asset return of less than -100%.

Question #6 of 12

Question ID: 1572819

If random variable Y follows a lognormal distribution then the natural log of Y must be:

A) denoted as e^X.

B) normally distributed.

C) lognormally distributed.

Question #7 of 12

Question ID: 1572826

One of the major limitations of Monte Carlo simulation is that it:

A) cannot provide the insight that analytic methods can.

B) does not lend itself to performing "what if" scenarios.

C) requires that variables be modeled using the normal distribution.

Question #8 of 12

Question ID: 1572822

A lognormal distribution is *least likely* to be:

A) bounded below by zero.

B) used to model stock prices.

C) negatively skewed.

Question #9 of 12

Question ID: 1572828

When resampling is done, the subsamples that are repeatedly drawn from the original observed samples will:

A) progressively get larger.

B) progressively get smaller.

C) remain the same size.

Question #10 of 12

Question ID: 1572829

The goal of resampling and the use of subsamples is to estimate parameters for the:

A) various subsamples.

B) overall population.

C) original sample.

Question #11 of 12

Question ID: 1572820

If a random variable x is lognormally distributed then ln x is:

A) abnormally distributed.

B) defined as e^x.

C) normally distributed.

Question #12 of 12

Question ID: 1572824

Monte Carlo simulation is necessary to:

A) reduce sampling error.

B) compute continuously compounded returns.

C) approximate solutions to complex problems.