

Diversification Reading Quiz PDF

Diversification Reading Quiz PDF

Disclaimer: *The diversification reading quiz pdf was generated with the help of StudyBlaze AI. Please be aware that AI can make mistakes. Please consult your teacher if you're unsure about your solution or think there might have been a mistake. Or reach out directly to the StudyBlaze team at max@studyblaze.io.*

Which theory is closely associated with the concept of diversification?

- Game Theory
- Modern Portfolio Theory
- Chaos Theory
- Quantum Theory

Which financial instrument is typically NOT used for diversification?

- Stocks
- Bonds
- Real Estate
- Savings Account

What is a potential downside of over-diversification?

- Increased risk
- Lower returns
- Higher volatility
- Reduced liquidity

Which type of diversification involves expanding products within the same market?

- Vertical Diversification
- Horizontal Diversification
- Concentric Diversification
- Conglomerate Diversification

What is the primary goal of diversification in investment?

- Maximize returns
- Minimize risks

- Increase liquidity
- Reduce taxes

Describe a real-world example of a company that successfully used diversification.

Which of the following is a benefit of diversification?

- Guaranteed profits
- Elimination of all risks
- Reduction of volatility
- Increased complexity

Which risks can be reduced through diversification? (Select all that apply)

- Market risk
- Company-specific risk
- Industry-specific risk
- Inflation risk

Which financial instruments can be used for diversification? (Select all that apply)

- Stocks
- Bonds
- Mutual Funds
- Derivatives

Discuss the potential impact of economic cycles on the effectiveness of diversification.

What is the efficient frontier, and how does it relate to diversification?

Explain how diversification can reduce risk in an investment portfolio.

Which of the following are types of diversification? (Select all that apply)

- Horizontal Diversification
- Vertical Diversification
- Concentric Diversification
- Linear Diversification

What is the term for adding unrelated products to a business?

- Horizontal Diversification
- Vertical Diversification
- Concentric Diversification
- Conglomerate Diversification

What is the relationship between risk and return in diversification?

- Directly proportional
- Inversely proportional
- No relationship
- Random

Which of the following are benefits of diversification? (Select all that apply)

- Risk reduction
- Higher volatility
- Potential for higher returns
- Guaranteed profits

How does international diversification differ from domestic diversification?

What are the key differences between horizontal and vertical diversification?

Which strategies are involved in diversification? (Select all that apply)

- Asset allocation
- Market timing
- Stock picking
- Sector rotation

What are some challenges of diversification? (Select all that apply)

- Over-diversification
- Increased costs
- Simplified management
- Complexity in portfolio management