

### Question #1 of 40

After completing a thorough industry analysis, which of the following is *most likely* an additional element an analyst should examine when analyzing a specific company within the industry?

- A) Competitive strategy.
  - B) Threat of entry.
  - C) Power of buyers.
- 

### Question #2 of 40

Stages of an industry life cycle in chronological order are:

- A) growth, shakeout, mature, decline, and embryonic.
  - B) embryonic, growth, mature, shakeout, and decline.
  - C) embryonic, growth, shakeout, mature, and decline.
- 

### Question #3 of 40

When classifying companies into peer groups for analysis, an analyst should:

- A) include each company in only one peer group.
  - B) disregard industry classifications from commercial providers.
  - C) examine firms' annual reports to see if they identify competitors.
- 

### Question #4 of 40

Which of the following industries is *most likely* to be classified as non-cyclical?

- A) Utilities.
  - B) Housing.
  - C) Autos.
- 

### Question #5 of 40

A firm is *most likely* to have pricing power if it operates in an industry characterized by:

- A) high concentration, undercapacity, and high market share stability.

- B)** high concentration, undercapacity, and low market share stability.
  - C)** low concentration, overcapacity, and high market share stability.
- 

### Question #6 of 40

An aggressive price reduction to gain market share is *most likely* to be associated with a:

- A)** product differentiation strategy.
  - B)** cost leadership strategy.
  - C)** service differentiation strategy.
- 

### Question #7 of 40

Starr Company is an asset management firm. Thomas Company is a manufacturer of apparel. Assuming these firms are representative of their industry groups, how are they *best* classified with regard to their sensitivity to the business cycle?

- |           | <u>Starr</u> | <u>Thomas</u> |
|-----------|--------------|---------------|
| <b>A)</b> | Cyclical     | Non-cyclical  |
| <b>B)</b> | Non-cyclical | Non-cyclical  |
| <b>C)</b> | Cyclical     | Cyclical      |
- 

### Question #8 of 40

The competitive forces identified by Michael Porter include:

- A)** power of existing competitors and threat of entry.
  - B)** rivalry among existing competitors and power of buyers.
  - C)** threat of substitutes and rivalry among suppliers.
- 

### Question #9 of 40

A firm that pursues a differentiation strategy is *most likely* to emphasize:

- A)** market research.
- B)** operating efficiency.
- C)** gains in market share.

---

### Question #10 of 40

The industry experience curve illustrates the relationship between:

- A) cumulative output and cost per unit.
  - B) productivity and average years of employment.
  - C) company age and profitability.
- 

### Question #11 of 40

Pricing power for the firms in an industry is *most likely* to result from low:

- A) barriers to entry.
  - B) industry concentration.
  - C) levels of capacity.
- 

### Question #12 of 40

Market share stability within an industry is *least likely* to result from a high level of:

- A) switching costs.
  - B) barriers to entry.
  - C) product innovation.
- 

### Question #13 of 40

A manager tells a research analyst, "A thorough industry analysis should use more than one approach to estimate industry variables," and "An analyst should not compare his valuations to those of other analysts." Which of these two statements is (are) CORRECT?

- A) Neither of these statements is accurate.
  - B) Both of these statements are accurate.
  - C) Only one of these statements is accurate.
- 

### Question #14 of 40

Commercial industry classification systems such as the Global Industry Classification Standard (GICS) typically classify firms according to their:

- A) correlations of historical returns.
  - B) sensitivity to business cycles.
  - C) principal business activities.
- 

### Question #15 of 40

The threat of substitutes is *most likely* to be low for a firm that:

- A) produces a commodity product in an industry with significant unused capacity.
  - B) operates in a fragmented market with little unused capacity.
  - C) produces a differentiated product with high switching costs.
- 

### Question #16 of 40

Industry analysis is *most likely* to provide an analyst with insight about a company's:

- A) pricing power.
  - B) financial performance.
  - C) competitive strategy.
- 

### Question #17 of 40

Economic profits are *most likely* to be earned by firms in an industry that is characterized by:

- A) high barriers to entry and low power of buyers.
  - B) high power of suppliers and low threat of entry.
  - C) low threat of substitutes and high rivalry among existing competitors.
- 

### Question #18 of 40

Technological changes are *most likely* to result in which of the following effects? Evolving technology is likely to result in changes in:

- A) educational curriculum and the relative demand for various products.
  - B) the relative demand for various products only.
  - C) educational curriculum only.
-

### Question #19 of 40

Factors affecting industry growth that are related to the composition and age distribution of the population are *best* described as:

- A) social influences.
  - B) demographic factors.
  - C) macroeconomic factors.
- 

### Question #20 of 40

When constructing a peer group of firms, an analyst should *least* appropriately consider the firms':

- A) business cycle sensitivity.
  - B) industry classification.
  - C) cost structures.
- 

### Question #21 of 40

Which of the following industries is likely to be most sensitive to the business cycle?

- A) Pharmaceutical.
  - B) Confectionery.
  - C) Automobile.
- 

### Question #22 of 40

Declining prices that result from the development of substitute products are *most likely* to characterize an industry in the:

- A) decline stage.
  - B) shakeout stage.
  - C) mature stage.
- 

### Question #23 of 40

Which of the following conditions is *most likely* to indicate that barriers to entry into an industry are low?

- A) Market shares have been stable over the last two business cycles.
- B) Investment capital is available at low cost.

C) The industry has significant economies of scale.

---

### Question #24 of 40

A firm's earnings are *most likely* to be cyclical if:

- A) the firm operates in a growth industry.
  - B) most of the firm's costs depend on its level of output.
  - C) the firm produces luxury items.
- 

### Question #25 of 40

Which of the following statements about switching costs is *most accurate*?

- A) Switching costs tend to be lower for specialized products.
  - B) Low switching costs contribute to market share stability.
  - C) Switching costs include the time needed to learn to use a competitor's product.
- 

### Question #26 of 40

Factors that increase competition in an industry *most likely* include:

- A) high barriers to entry, low concentration, and low unused capacity.
  - B) low barriers to entry, high concentration, and high unused capacity.
  - C) low barriers to entry, low concentration, and high unused capacity.
- 

### Question #27 of 40

Which of the following statements about the industry life cycle is *most accurate*?

- A) The mature stage is followed by a shakeout stage and a decline stage.
  - B) The growth stage is typically characterized by decreasing prices.
  - C) Industry growth rates are highest in the embryonic stage.
- 

### Question #28 of 40

Which of the following types of industries is typically characterized by stable performance during both expansions and contractions of the business cycle?

- A) Defensive.
  - B) Growth.
  - C) Cyclical.
- 

### Question #29 of 40

Commercial index providers typically classify companies by:

- A) principal business activity.
  - B) statistical grouping.
  - C) sensitivity to business cycles.
- 

### Question #30 of 40

Auto manufacturers and home builders would *most likely* be grouped together in an industry classification system based on:

- A) sensitivity to business cycles.
  - B) type of business activity.
  - C) dividend yields.
- 

### Question #31 of 40

Changes in population size and average age that affect industry growth and profitability are *best* described as:

- A) macroeconomic influences.
  - B) social influences.
  - C) demographic influences.
- 

### Question #32 of 40

In which of the following industries are technological factors *least likely* a significant influence?

- A) Confections.
  - B) Pharmaceuticals.
  - C) Oil services.
-

### Question #33 of 40

Which of the following industries is *most likely* to operate in a fragmented market?

- A) Pharmaceuticals.
  - B) Confections.
  - C) Oil services.
- 

### Question #34 of 40

A firm is *most likely* to have pricing power if:

- A) its product is differentiated.
  - B) costs to exit the industry are high.
  - C) its market share is high.
- 

### Question #35 of 40

During the contraction phase of the business cycle, how will an active portfolio manager using an industry rotation strategy treat stocks of companies in a cyclical industry?

- A) Overweight the industry.
  - B) Underweight the industry.
  - C) Maintain the target weight of the industry.
- 

### Question #36 of 40

Wallace Kidwell is classifying an industry as to its life-cycle stage. Kidwell notes that the industry's growth is stable and largely limited to replacement demand and overall population increases. The companies that comprise the industry have achieved efficient cost structures and strong brand loyalty. This level of brand loyalty has resulted in very few price wars. Kidwell will *most likely* classify the industry life cycle stage as being:

- A) Shakeout.
  - B) Mature.
  - C) Decline.
- 

### Question #37 of 40

For relative valuation, a peer group is *best* described as companies:



- A)** with similar business activities and competitive factors.
  - B)** at a similar stage of the industry life cycle.
  - C)** in a similar sector or industry classification.
- 

### Question #38 of 40

Food, beverage, and utility companies are examples of:

- A)** declining industries.
  - B)** cyclical industries.
  - C)** defensive industries.
- 

### Question #39 of 40

Which of the following types of industries is typically characterized by above-normal expansion in sales and profits independent of the business cycle?

- A)** Counter-cyclical.
  - B)** Growth.
  - C)** Defensive.
- 

### Question #40 of 40

The experience curve, which illustrates the cost per unit relative to output:

- A)** slopes upward in the early years and downward in the later years.
- B)** slopes downward.
- C)** slopes upward.