



Pool Canvas

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Name TestBanks Chapter 5 Multiple-Choice Questions

Description Question pool for TestBanks Chapter 5 Multiple-Choice Questions

Instructions

[Modify](#)

[◀ Add Question Here](#)

Question 1 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

An asset allocation is a decision by individuals or institutions about:

- Answer** ✓ what assets to hold.
 what assets to use to finance the purchase of a real asset.
 how to hedge inflation.
 the cost of risk.

[◀ Add Question Here](#)

Question 2 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When economists say “investing” they mean:

- Answer** ✓ purchases of physical capital.
 purchases of stocks.
 individual household saving.
 lending to new start-up companies.

[◀ Add Question Here](#)

Question 3 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Students of economics often get confused because when economists say “investment” they mean:

- Answer** purchases of stocks and bonds.
 ✓ purchases of physical capital.
 individual household saving.
 lending to new start-up companies.

[◀ Add Question Here](#)

Question 4 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

For economists, when a household buys a share of Google it is:

- Answer** borrowing.
 investing.
 lending.
 ✓ saving.

[◀ Add Question Here](#)

Question 5 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In the financial world, investors are people who:

- Answer** ✓ buy securities.
 buy physical capital.
 sell bonds.
 issue stocks and shares.

[◀ Add Question Here](#)

Question 6 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In the world of economists, investment refers to _____, while in the financial world it refers to _____.

- Answer** replacing capital depreciation; hedging against inflation
 purchases of securities; purchases of new capital
 ✓ purchases of new capital; purchases of securities
 saving; buying bonds

[◀ Add Question Here](#)

Question 7 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In 1983, about _____ of households owned stock.

- Answer** ✓ 19 percent
 50 percent
 37 percent
 10 percent

[◀ Add Question Here](#)

Question 8	Multiple Choice	0 points	Modify Remove
<p>Question In 2007, about _____ of households directly owned stock.</p> <p>Answer</p> <ul style="list-style-type: none"> 25 percent 19 percent ✓ 28 percent 50 percent 			
◀ Add Question Here			
Question 9	Multiple Choice	0 points	Modify Remove
<p>Question In 2004, the wealthiest 1 percent of American households owned about _____ of _____ held by individuals.</p> <p>Answer</p> <ul style="list-style-type: none"> ✓ 37 percent; stocks 19 percent; stocks and bonds 28 percent; bank deposits 50 percent; Treasury bills 			
◀ Add Question Here			
Question 10	Multiple Choice	0 points	Modify Remove
<p>Question Which of the following securities are held in mutual funds? I. stocks II. bonds III. real estate</p> <p>Answer</p> <ul style="list-style-type: none"> I only II only ✓ I and II II and III 			
◀ Add Question Here			
Question 11	Multiple Choice	0 points	Modify Remove
<p>Question The key difference between mutual funds and hedge funds is that mutual funds are:</p> <p>Answer</p> <ul style="list-style-type: none"> ✓ more heavily regulated to protect small investors. less heavily regulated to protect large investors. heavily regulated to protect large investors. only able to purchase bonds. 			
◀ Add Question Here			
Question 12	Multiple Choice	0 points	Modify Remove
<p>Question Hedge funds often use _____, which is/are defined as _____.</p> <p>Answer</p> <ul style="list-style-type: none"> derivatives; short-term T-bills ✓ leverage; borrowing money to buy other assets dividends; profits earned from bonds mutual funds; bundles of paper assets 			
◀ Add Question Here			
Question 13	Multiple Choice	0 points	Modify Remove
<p>Question All security trades must be done through a:</p> <p>Answer</p> <ul style="list-style-type: none"> bank. dealer. hedge fund. ✓ broker. 			
◀ Add Question Here			
Question 14	Multiple Choice	0 points	Modify Remove
<p>Question Unlike brokers, who _____, dealers _____.</p> <p>Answer</p> <ul style="list-style-type: none"> ✓ buy and sell securities for others; buy and sell securities for themselves sell securities for others; buy securities for others conduct market research; buy and sell securities for others trade in derivatives; trade in stocks and bonds. 			
◀ Add Question Here			
Question 15	Multiple Choice	0 points	Modify Remove
<p>Question An investment bank's duties include:</p> <p>Answer</p> <ul style="list-style-type: none"> ✓ underwriting large investments and providing financial advice. taking deposits and making loans to households. making mortgage loans to noncitizens. repossessing small real assets. 			
◀ Add Question Here			
Question 16	Multiple Choice	0 points	Modify Remove

Question

Which of the following are functions of an investment bank?

- I. provide advice on mortgages
- II. take household deposits
- III. give small loans to households

Answer

- I only
- II and III
- I and III
- ✓ None of the answers are correct.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 17 **Multiple Choice** **0 points**

Question

Which of the following are functions of an investment bank?

- I. provide advice on acquisitions and mergers
- II. do underwriting for firms
- III. provide mortgage loans

Answer

- I only
- II and III
- II only
- ✓ I and II

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 18 **Multiple Choice** **0 points**

Question

Pension funds are established to:

Answer ✓

- provide income to retired workers.
- allow wealthy households to make risky investments.
- insure against future risks.
- provide social security payments.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 19 **Multiple Choice** **0 points**

Question

Pension funds are paid for by:

Answer

- contributions by the federal government.
- ✓ contributions by employers.
- premiums paid by consumers.
- mandatory deductions from employee paychecks.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 20 **Multiple Choice** **0 points**

Question

Commercial banks' *main* function(s) is(are) to:

Answer ✓

- take deposits and make loans.
- underwrite initial public offerings.
- providing brokerage services.
- make loans to the federal government.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 21 **Multiple Choice** **0 points**

Question

The primary assets of commercial banks are _____, but they also earn income from holdings of _____.

Answer

- loans; stocks
- deposits; derivatives
- ✓ loans; bonds
- cash; bonds

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 22 **Multiple Choice** **0 points**

Question

Hedge funds are like mutual funds in all of the following ways *except*:

Answer

- both sell shares to investors.
- both can hold U.S. and foreign securities.
- both hold a diversified portfolio of securities.
- ✓ both are heavily regulated.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 23 **Multiple Choice** **0 points**

Question

When investment banks invent new types of securities, this is known as:

Answer ✓

- financial engineering.
- securitization.
- underwriting.
- arbitrage.

◀ [Add Question Here](#)

Question 24	Multiple Choice	0 points	Modify Remove
Question			
Which of the following actions are considered "investing," according to the terminology of economics?			
Answer			
<input type="checkbox"/> Your uncle buys stock in IBM. <input checked="" type="checkbox"/> The local bakery buys a new oven to bake bread. <input type="checkbox"/> You buy a U.S. Treasury bond. <input type="checkbox"/> You buy a corporate bond.			
Add Question Here			
Question 25	Multiple Choice	0 points	Modify Remove
Question			
Over time, stock ownership has spread to a larger fraction of the U.S. population. Which of the following can be identified as a reason behind this trend?			
Answer			
<input type="checkbox"/> Stock prices have not been as volatile as in the recent past. <input type="checkbox"/> People are becoming less risk averse and prefer to buy stock rather than bonds. <input checked="" type="checkbox"/> The 401(k) plans that channel workers' retirement savings into securities have grown. <input type="checkbox"/> Bonds are getting more expensive every year.			
Add Question Here			
Question 26	Multiple Choice	0 points	Modify Remove
Question			
Mutual funds are financial institutions with which of the following characteristics:			
Answer			
<input checked="" type="checkbox"/> They hold a diversified set of securities and sell shares to savers. <input type="checkbox"/> They are largely unregulated. <input type="checkbox"/> They cater to only wealthy people. <input type="checkbox"/> They cater to only wealthy institutions.			
Add Question Here			
Question 27	Multiple Choice	0 points	Modify Remove
Question			
Hedge funds are financial institutions that:			
Answer			
<input type="checkbox"/> purchase stock only. <input type="checkbox"/> are subject to comprehensive regulations. <input checked="" type="checkbox"/> only cater to wealthy people and institutions. <input type="checkbox"/> sell shares at a price of \$1 per share, so that small savers can buy them.			
Add Question Here			
Question 28	Multiple Choice	0 points	Modify Remove
Question			
Participants in securities markets include:			
Answer			
<input type="checkbox"/> commercial banks. <input type="checkbox"/> pension funds. <input type="checkbox"/> insurance companies. <input checked="" type="checkbox"/> All are participants.			
Add Question Here			
Question 29	Multiple Choice	0 points	Modify Remove
Question			
Primary markets are where:			
Answer			
<input checked="" type="checkbox"/> firms and governments issue new securities. <input type="checkbox"/> firms issue new securities. <input type="checkbox"/> individual households buy and sell existing securities. <input type="checkbox"/> firms buy real assets.			
Add Question Here			
Question 30	Multiple Choice	0 points	Modify Remove
Question			
Most households that buy and sell securities do so:			
Answer			
<input type="checkbox"/> at a bank teller. <input type="checkbox"/> in the primary market. <input type="checkbox"/> in the tertiary market. <input checked="" type="checkbox"/> in the secondary market.			
Add Question Here			
Question 31	Multiple Choice	0 points	Modify Remove
Question			
When a firm expands it can generate funds _____, and once it does it becomes a _____ company.			
Answer			
<input checked="" type="checkbox"/> in the primary market; public <input type="checkbox"/> in the secondary market; private <input type="checkbox"/> in the primary market; private <input type="checkbox"/> at a bank; private			
Add Question Here			
Question 32	Multiple Choice	0 points	Modify Remove

Question

The first sale of a company stock is called a(n):

- Answer**
- pension fund.
 - secondary market sale.
 - initial public offering.
 - syndicate.

[◀ Add Question Here](#)

Question 33 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Initial public offerings are originally purchased by _____, which then turn around and sell them to _____.

- Answer**
- investment banks; financial institutions
 - commercial banks; individual households
 - financial institutions; individual households
 - the Federal Reserve System; financial institutions.

[◀ Add Question Here](#)

Question 34 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A syndicate is a:

- Answer**
- group of investment banks enlisted to underwrite an initial public offering.
 - group of private investors enlisted to underwrite an initial public offering.
 - single investment bank that enlists private investors to underwrite an initial public offering.
 - crime-fighting group.

[◀ Add Question Here](#)

Question 35 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When a firm issues new stock it:

- Answer**
- must borrow more from commercial banks.
 - spreads ownership of the firm.
 - consolidates ownership within a smaller group of investors.
 - becomes more dependent on the Federal Reserve.

[◀ Add Question Here](#)

Question 36 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

One of the main reasons that investment banks are used to underwrite initial public offerings is they:

- Answer**
- help to reduce the problem of adverse selection.
 - increase the problem of asymmetric information.
 - usually have sufficient funds to do so.
 - increase moral hazard.

[◀ Add Question Here](#)

Question 37 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

By using an investment bank to underwrite securities, firms are hoping to use the _____ of the investment bank to _____ the new firm.

- Answer**
- reputation; reduce uncertainty about
 - funds; reduce uncertainty about
 - funds; accurately price
 - information; increase certainty about

[◀ Add Question Here](#)

Question 38 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Investment banks reduce the problem of _____ by _____.

- Answer**
- inflation; gathering information about a particular firm
 - moral hazard; withholding funds after an initial public offering is issued
 - inflation; reducing the amount of money that enters an economy
 - adverse selection; gathering information about a particular firm

[◀ Add Question Here](#)

Question 39 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Some economists believe that investment banks _____ IPOs; the evidence they point to is that the stock price _____ in the secondary markets.

- Answer**
- overprice; often falls to a lower price
 - overprice; often jumps to a higher price
 - underprice; often jumps to a higher price
 - correctly price; remains the same

[◀ Add Question Here](#)

Question 40 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Critics argue that investment banks underprice IPOs so that:

- Answer** ✓
- some people can earn large profits.
 - firms can attract more investors.
 - banks can use losses to offset high profits.
 - pension funds can buy large amounts of cheap stock.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 41 **Multiple Choice** **0 points**

Question

Critics argue that investment banks underprice IPOs so that:

- Answer**
- all people can earn large profits.
 - ✓ banks can do favors for people they do business with
 - banks can use losses to offset high profits.
 - pension funds can buy large amounts of cheap stock.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 42 **Multiple Choice** **0 points**

Question

Which of the following are reasons Google chose to use an online auction rather than an investment bank to issue its IPO.

- I. It was less costly.
- II. It wanted to avoid overpricing.
- III. It allowed all profits to be garnered exclusively by large investors.

- Answer**
- ✓ I only
 - II only
 - III only
 - I and II

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 43 **Multiple Choice** **0 points**

Question

Competitive bidders _____ when bidding for Treasury bills.

- Answer**
- take the price as given
 - state the price they are willing to pay
 - ✓ state the quantity they want and price they are willing to pay
 - buy as many as they want

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 44 **Multiple Choice** **0 points**

Question

To buy a stock or bond, an individual saver:

- Answer**
- can buy directly from a secondary market.
 - can choose whether to use a broker or not.
 - ✓ must use the services of a broker.
 - must use the services of a financial adviser.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 45 **Multiple Choice** **0 points**

Question

A limit order is a purchase of stocks:

- Answer** ✓
- made only when a stock reaches a certain price.
 - with the best price a broker can find.
 - wherein the broker specifies the number of stocks to buy at any price.
 - that limits the quantity of stocks to buy.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 46 **Multiple Choice** **0 points**

Question

When you call your broker and tell her to buy Exxon-Mobil when the price falls to \$75, you are placing a:

- Answer**
- market order.
 - ✓ limit order.
 - 401(k) contribution.
 - bid on an Exxon bond.

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 47 **Multiple Choice** **0 points**

Question

Which of the following cities has large stock market exchanges?

- Answer**
- Barcelona
 - ✓ Frankfurt
 - Beijing
 - Los Angeles

◀ [Add Question Here](#)

[Modify](#) | [Remove](#)

Question 48 **Multiple Choice** **0 points**

Question

An over-the-counter market differs from a stock exchange because it:

- Answer**
- is a physical location.
 - only trades small firm stocks.
 - is risk free.
 - has no physical location.

[◀ Add Question Here](#)

Question 49 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The "bid-ask spread" is:

- Answer**
- always equal to zero.
 - the gap between the price at which a dealer buys and sells a security.
 - the difference between the quantity a dealer wants to buy and what he actually buys.
 - the difference between the rate of inflation and the expected rate of inflation.

[◀ Add Question Here](#)

Question 50 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When the bid price is below the ask price:

- Answer**
- no trade will be made.
 - there are considerable opportunities for arbitrage.
 - a dealer will reduce its sell price.
 - considerable losses are made by the seller.

[◀ Add Question Here](#)

Question 51 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

NASDAQ is a stock market where all trades are done:

- Answer**
- via telephone.
 - at a centralized exchange.
 - via computer.
 - None of the answers are correct.

[◀ Add Question Here](#)

Question 52 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

With an electronic communications network, trades are a(n) _____ except that _____.

- Answer**
- over-the-counter market; it does not require dealers exchange; trades are conducted via computer
 - exchange; it does not require dealers
 - IPO; all prices are set in advance.

[◀ Add Question Here](#)

Question 53 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The Dow Jones Index covers _____ individual stocks.

- Answer**
- 2000
 - 200
 - 500
 - 30

[◀ Add Question Here](#)

Question 54 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A stock index tracks:

- Answer**
- only stocks with the largest amount of trades on a given day.
 - a fixed number of stocks.
 - only stocks that are considered the most important from day to day.
 - one stock a day.

[◀ Add Question Here](#)

Question 55 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The bid-ask spread on a security is the difference between:

- Answer**
- the price a dealer pays for a security and the price at which the company sells the security.
 - the price at which a dealer buys and sells the security.
 - the difference between the security's price in the initial public offering and the security's price when it sells on the stock exchange.
 - the price of the security when an individual sells it and the price of a security when an investment bank sells the security.

[◀ Add Question Here](#)

Question 56 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The Treasury Department sells Treasury bills under a unitary price auction rather than under a discriminatory price auction because, relative to a discriminatory price auction:

- I. bidders pay a lower price under the unitary price auction.

- II. the Treasury obtains greater revenue under the unitary price auction.
 III. bidders are more willing to participate in a unitary price auction.

Answer

- II only
- III only
- II and III
- I, II, and III

[Add Question Here](#)

Question 57 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Over-the-counter markets can create volatility in stock prices because:

Answer the trades are made directly between buyer and seller, and other participants do not have information on the transaction.
 dealers require a minimum percentage commission on each trade.
 buyers with private information can obtain a better price than buyers without private information.
 over-the-counter markets do not require dealers to become certified to trade.

[Add Question Here](#)

Question 58 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When a firm is ready to become a public company, it turns to securities markets and makes a(n):

Answer

- stock price suggestion.
- initial public offering.
- final price auction.
- secondary private auction.

[Add Question Here](#)

Question 59 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Investment banks prepare a report to potential buyers of a firm's stock called a _____. They also create a group composed of other investment banks called a(n) _____, that together buy the firm's stock.

Answer

- prospectus; syndicate
- prospectus; union
- booklet; syndicate
- booklet; union

[Add Question Here](#)

Question 60 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Secondary markets include:

Answer exchanges.
 markets in which savers can directly buy government bonds.
 markets in which savers can directly buy corporate bonds.
 markets in which savers can directly buy stock.

[Add Question Here](#)

Question 61 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When you place a(n) _____ order, you effectively tell your broker to buy shares of a given company's stock for the best price he or she can find.

Answer

- infinite
- limit
- market
- wholesale

[Add Question Here](#)

Question 62 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When you place a(n) _____ order, you effectively tell your broker to buy shares of a given company's stock only if the price reaches a certain level.

Answer

- infinite
- limit
- market
- wholesale

[Add Question Here](#)

Question 63 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The NASDAQ network is:

Answer

- an electronic communications network (ECN).
- a stock exchange.
- a bond exchange.
- a dealer market for stocks.

[Add Question Here](#)

Question 64 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The capital structure of a firm is a mix of _____ and _____ issued by a firm.

- Answer**
- stocks; bonds
 - cash; stocks
 - real assets; derivatives
 - stocks; real assets

[◀ Add Question Here](#)

Question 65 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

According to the Modigliani–Miller theorem, _____ and _____ are _____ ways to raise funds.

- Answer**
- stocks; cash; equally good
 - stocks; bonds; not equally good
 - stocks; bonds; equally good
 - bonds; loans; bad

[◀ Add Question Here](#)

Question 66 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The reason the Modigliani–Miller theory holds is because according to the _____, the price of a stock or bond equals the _____.

- Answer**
- classical theory; present value of its expected income
 - expectations theory; the average of expected interest rates
 - Keynesian cross; the average of expected interest rates
 - real interest rate; expected rate of inflation

[◀ Add Question Here](#)

Question 67 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Critics of the Modigliani–Miller theory argue which of the following are reasons why capital structure matters?

- I. taxes
- II. subsidies
- III. adverse selection

- Answer**
- I only
 - I and II
 - I and III
 - All of the answers are correct.

[◀ Add Question Here](#)

Question 68 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Critics of the Modigliani–Miller theory argue which of the following are reasons why capital structure matters?

- I. taxes
- II. bankruptcy
- III. adverse selection

- Answer**
- I only
 - II only
 - III only
 - I, II, and III

[◀ Add Question Here](#)

Question 69 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When a firm issues bonds instead of stocks it is lessening the problem of _____ because bonds _____.

- Answer**
- adverse selection; pay a given amount as long as the firm does not default
 - moral hazard; pay dividends depending on the profits the firm makes
 - inflation; are indexed to inflation
 - uncertainty; have less moral hazard

[◀ Add Question Here](#)

Question 70 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

You want to finance a new burrito stand on campus. You would choose to use _____ because _____.

- Answer**
- short-term bonds; of the short lag between production and sales
 - long-term bonds; of inflation uncertainty
 - a bank loan; it eradicates moral hazard.
 - commercial paper; of the long lag between production and sales.

[◀ Add Question Here](#)

Question 71 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The Modigliani–Miller theorem assumes that:

- Answer**
- firms prefer to issue stocks over bonds.
 - the price of a stock equals the present value of expected income from the stock.
 - adverse selection makes stocks riskier than bonds.
 - taxes affect the composition of a corporation's capital structure.

[◀ Add Question Here](#)

Question 72	Multiple Choice	0 points	Modify Remove
Question			
In the aftermath of the financial crisis, many economists suggested that the tax code should stop encouraging firms to issue debt instead of stocks because:			
Answer			
<ul style="list-style-type: none"> when the crisis hit, corporations could not issue stocks due to the adverse tax consequences that apply to stocks. firms should pay higher taxes when they issue debt than when they issue stock. <input checked="" type="checkbox"/> firms can deduct the interest payments on debt and not on stocks, so they are encouraged to issue too much debt. None of the answers are correct. 			
			Add Question Here
Question 73	Multiple Choice	0 points	Modify Remove
Question			
The concept of capital structure refers to the mix of:			
Answer			
<ul style="list-style-type: none"> investments funded by cash flows and investments funded by raising funds in securities markets. <input checked="" type="checkbox"/> stocks and bonds that firm issues. physical capital and financial capital in a firm's balance sheet. a firm's physical capital and managerial know-how. 			
			Add Question Here
Question 74	Multiple Choice	0 points	Modify Remove
Question			
Which of the following constitute(s) advantage(s) of issuing bonds over issuing stock as a way to raise funds?			
Answer			
<ul style="list-style-type: none"> adverse selection the risk of bankruptcy tax advantages <input checked="" type="checkbox"/> adverse selection and tax advantages. 			
			Add Question Here
Question 75	Multiple Choice	0 points	Modify Remove
Question			
Which of the following is an advantage of issuing stocks over issuing bonds as a way to raise funds?			
Answer			
<ul style="list-style-type: none"> adverse selection tax advantages <input checked="" type="checkbox"/> the risk of bankruptcy moral hazard 			
			Add Question Here
Question 76	Multiple Choice	0 points	Modify Remove
Question			
Due to capital structure considerations, most firms in the United States issue:			
Answer			
<ul style="list-style-type: none"> only bonds. only stocks. only commercial paper. <input checked="" type="checkbox"/> a mixture of bonds and stocks. 			
			Add Question Here
Question 77	Multiple Choice	0 points	Modify Remove
Question			
Based solely on tax considerations, firms should issue _____ as a way of raising funds.			
Answer			
<ul style="list-style-type: none"> preferred shares <input checked="" type="checkbox"/> bonds preferred stock common stock 			
			Add Question Here
Question 78	Multiple Choice	0 points	Modify Remove
Question			
Based solely on the risk of bankruptcy, firms should issue _____ as a way of raising funds.			
Answer			
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> stock short-term bonds commercial paper long-term bonds 			
			Add Question Here
Question 79	Multiple Choice	0 points	Modify Remove
Question			
When choosing which types of assets to hold, the buyer must determine the trade-off between:			
Answer			
<ul style="list-style-type: none"> unemployment and economic growth. risk and inflation. <input checked="" type="checkbox"/> risk and return. expansion and recession. 			
			Add Question Here
Question 80	Multiple Choice	0 points	Modify Remove

Question

When determining returns to your asset allocation, you would use:

- Answer**
- the average of stock and bond returns.
 - the weighted average to stock and bond returns.
 - the bond returns and the rate of inflation.
 - stock returns.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 81 **Multiple Choice** **0 points**

Question

The weight you would use to determine your asset allocation's overall return is the:

- Answer**
- percentage of wealth in stocks and bonds.
 - percentage of your gross wealth that is borrowed.
 - rate of return to inflation-indexed bonds.
 - market long-term bond interest rate.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 82 **Multiple Choice** **0 points**

Question

If s is the percentage of stocks in your portfolio, your overall return on wealth would be:

- Answer**
- $\text{return on wealth} = s(\text{return to stocks}) + (1 - s)(\text{return to bonds})$
 - $\text{return on wealth} = s(\text{return to stocks})$
 - $\text{return on wealth} = \text{return to stocks} \div s + (\text{return to bonds}) \div (1 - s)$
 - $\text{return on wealth} = [s(\text{return to stocks})] \div [(1 - s) \times (\text{return to bonds})]$

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 83 **Multiple Choice** **0 points**

Question

Your grandparents give you \$1000 as a graduation gift; you decide to save 25 percent in bonds and 75 percent in Apple stock. If the return to the bonds is 3 percent and the return to Apple is 15 percent, then your overall return on wealth would be about:

- Answer**
- 11.25 percent.
 - 4 percent.
 - 12 percent.
 - 15 percent.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 84 **Multiple Choice** **0 points**

Question

Your grandparents give you \$1000 as a graduation gift; you decide to save 50 percent in bonds and 50 percent in Apple stock. If the return to the bonds is 3 percent and the return to Apple is 15 percent, then your overall return on wealth would be about:

- Answer**
- 6 percent.
 - 9 percent.
 - 7.5 percent.
 - 2.5 percent.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 85 **Multiple Choice** **0 points**

Question

Your grandparents give you \$1,000 as a graduation gift; you decide to save 75 percent in bonds and 25 percent in Ford stock. If the return to the bonds is 3 percent and the return to Ford is -5 percent, then your overall return on wealth would be about:

- Answer**
- 1.25 percent.
 - 3.5 percent.
 - 2.25 percent.
 - 1 percent.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 86 **Multiple Choice** **0 points**

Question

Your grandparents give you \$1000 as a graduation gift; you decide to save 25 percent in bonds and 75 percent in Ford stock. If the return to the bonds is 3 percent and the return to Ford is -5 percent, then your overall return on wealth would be about

- Answer**
- 3.0 percent.
 - 3.75 percent.
 - 3.75 percent.
 - 1 percent.

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 87 **Multiple Choice** **0 points**

Question

When calculating your return on wealth, which of the following could you use as a "safe" rate of return?

- Answer**
- bonds issued by the Brazilian government
 - the return on NASDAQ
 - the euro
 - Treasury bills

[◀ Add Question Here](#)

[Modify](#) [Remove](#)

Question 88 **Multiple Choice** **0 points**

Question

When calculating your return on wealth, which of the following could you use as a “safe” rate of return?

- Answer**
- bonds
 - stocks
 - the euro
 - the yen

[◀ Add Question Here](#)

Question 89 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When choosing an asset allocation, you should:

- Answer**
- always choose a mix of 25 percent bonds and 75 percent stocks.
 - consider your attitude toward risk.
 - always buy the asset with the greatest expected rate of return.
 - choose the assets with the least return volatility.

[◀ Add Question Here](#)

Question 90 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

If you are risk averse, you should choose an asset allocation that is:

- Answer**
- more heavily weighted toward stocks.
 - more heavily weighted toward bonds.
 - equally weighted toward cash and stocks.
 - all bonds.

[◀ Add Question Here](#)

Question 91 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Most economists and financial advisers suggest that the typical person’s asset allocation should be:

- Answer**
- more heavily weighted toward stocks.
 - more heavily weighted toward bonds.
 - equally weighted toward cash and stocks.
 - all bonds.

[◀ Add Question Here](#)

Question 92 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The justification for holding a majority of stocks in a savings portfolio is because, over the long run,

- Answer**
- stocks are highly volatile.
 - stock returns are constant.
 - stocks are not as risky as they appear.
 - bonds are much riskier.

[◀ Add Question Here](#)

Question 93 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When deciding an asset allocation, the typical household should hold:

- Answer**
- only stocks when they are young.
 - relatively more bonds when they are young.
 - only cash when they near retirement.
 - relatively more stocks when they are young.

[◀ Add Question Here](#)

Question 94 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Suppose that you enjoy taking a risk. You are a risk-___ investor and would ___ your share of stocks and ___ your share of bonds relative to an investor who does not enjoy taking risk.

- Answer**
- averse; increase; decrease
 - taking; increase; decrease
 - taking; decrease; increase
 - You wouldn't change your asset allocation based on risk.

[◀ Add Question Here](#)

Question 95 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Suppose that you have \$10,000 in wealth and have allocated 70 percent in GM stock and 30 percent in Treasury bonds. If the GM stock had a –20 percent return and bonds return 2 percent, what is your expected return on your investment?

- Answer**
- 2 percent
 - 13.4 percent
 - 18 percent
 - 20 percent

[◀ Add Question Here](#)

Question 96 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Assume “s” is the share of your wealth you put in stocks, and “1 – s” is the share of your wealth you put in bonds. As “s” increases:

- Answer**
- both the average return and risk decrease.
 - the average return increases and risk decreases.
 - the average return decreases and risk increases.
 - both the average return and risk increase.

[◀ Add Question Here](#)

Question 97 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

What is the average return on stocks if 20 percent of the time the return is –5 percent and 80 percent of the time the return is 12 percent?

- Answer**
- 9.6 percent
 - 10.6 percent
 - 12.0 percent
 - 8.6 percent

[◀ Add Question Here](#)

Question 98 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Suppose 70 percent of your wealth is put into stocks and 30 percent is put into bonds. If the return on stocks is 20 percent and the return on bonds is 4 percent, what is the return on your wealth?

- Answer**
- 14.0 percent
 - 15.2 percent
 - 13.8 percent
 - 24.0 percent

[◀ Add Question Here](#)

Question 99 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Suppose “s” (the fraction of your wealth put into stocks) is 0.8 and that stocks have a return of 25 percent. If the return on bonds is 3 percent, what is the return on your wealth?

- Answer**
- 25.0 percent
 - 19.4 percent
 - 20.6 percent
 - 28.0 percent

[◀ Add Question Here](#)

Question 100 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Assuming savers split their savings into stocks and bonds only, most financial advisers suggest that individuals should:

- Answer**
- increase the percentage of their savings in stocks as they become older.
 - decrease the percentage of their savings in stocks as they become older.
 - always keep 50 percent of their savings in stocks and 50 percent savings in bonds.
 - never modify the original composition of their savings portfolio and thus avoid excessive broker fees.

[◀ Add Question Here](#)

Question 101 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

According to the rule-of-thumb used to determine the percentage of your wealth in stocks as you age, if you are 35 years old, the percentage of your wealth in stocks should be at least:

- Answer**
- 60 percent
 - 35 percent
 - 95 percent
 - 65 percent

[◀ Add Question Here](#)

Question 102 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The efficient markets hypothesis states that:

- Answer** the price of every stock equals the value of the stock, so no stock is a better buy than any other.
- the price of every stock is greater than the value of the stock, so look for stocks with high prices.
 - markets display cognitive dissonance, so look for stocks with high price-to-equity ratios.
 - market participants can earn extra long-run returns, which drive up the price of a stock.

[◀ Add Question Here](#)

Question 103 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

According to the efficient markets hypothesis, which is based on _____, _____ assets do not exist.

- Answer**
- the classical theory of asset prices; riskless
 - adaptive expectations; riskless
 - the classical theory of asset prices; undervalued
 - the Fisher equation; inflation-indexed

[◀ Add Question Here](#)

Question 104 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

According to the random walk, asset price movements occur because:

- Answer**
- people know everything with certainty.
 - of information surprises.
 - of rational expectations.
 - of people's ability to ascertain changes in the macroeconomic fundamentals.

[◀ Add Question Here](#)

Question 105 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

To beat the efficient markets hypothesis, financial analysts must be able to:

- Answer**
- take advantage of old information.
 - identify undervalued stocks.
 - get insider information.
 - accurately identify perfectly valued stocks.

[◀ Add Question Here](#)

Question 106 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

You hear the following on CNBC: "Ford Motor Company said Thursday its redesigned Ka city car would debut in the upcoming Bond film *Quantum of Solace*, scheduled for release in North America on November 7." Using the efficient markets hypothesis, you believe _____ and expect _____.

- Answer**
- Ford's stock price is currently undervalued; the stock price to rise
 - Ford's stock price is currently overvalued; the stock price to fall
 - Ford will go bankrupt; the stock price to fall
 - people will go buy Fords; the price of a Ford Ka to fall

[◀ Add Question Here](#)

Question 107 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

You are perusing the Reuters news Web page and read the following: "NEW YORK, Aug. 18 (Reuters)—Major U.S. airlines will see a 6 percent drop in passengers during the eight-day Labor Day holiday period as high oil prices continue to roil the industry, the airlines' trade organization predicted on Monday." Using the efficient markets hypothesis, you believe _____ and expect to see _____.

- Answer**
- airlines will go bankrupt; stock prices fall
 - airline stock prices are currently undervalued; the stock price rise
 - airline stock prices are currently overvalued; the stock price fall
 - airline tickets will fall; fewer passengers traveling

[◀ Add Question Here](#)

Question 108 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

If you believe in the efficient markets hypothesis, which type of mutual fund should you buy?

- Answer**
- a mix of managed funds and bonds
 - a managed fund
 - an index fund
 - a bond fund

[◀ Add Question Here](#)

Question 109 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Because the efficient markets hypothesis states that analysts _____, it is best to choose a(n) _____ mutual fund.

- Answer**
- do no better than the market; indexed
 - can beat the market; managed
 - can beat the market; indexed
 - can move market expectations; managed

[◀ Add Question Here](#)

Question 110 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Studies have shown that indexed funds can produce higher returns than managed funds; this is evidence in support of:

- Answer**
- a random walk.
 - the efficient markets hypothesis.
 - the effectiveness of adaptive expectations.
 - rational exuberance.

[◀ Add Question Here](#)

Question 111 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

If you believe the efficient markets hypothesis, then you think analysts of successful managed funds are:

- Answer**
- privy to insider information.
 - unusually talented.
 - highly educated.
 - lucky.

[◀ Add Question Here](#)

Question 112 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

To “beat the market,” traders must be able to:

- Answer**
- have contact with other traders.
 - be aware of insider news.
 - ✓ instantly respond to new information.
 - rely on adaptive expectations.

◀ [Add Question Here](#)

Question 113 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

According to behavioral finance,

- Answer** ✓
- there is considerable inertia in people's beliefs about a given firm.
 - traders respond immediately to new information.
 - you can never beat the market.
 - the market is efficient.

◀ [Add Question Here](#)

Question 114 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When choosing which stocks to buy, billionaire Warren Buffet put a lot of weight on:

- Answer** ✓
- the quality of the firm's managers.
 - empire-builders.
 - the good or service produced by the firm.
 - whether or not a firm produced abroad.

◀ [Add Question Here](#)

Question 115 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

The efficient markets hypothesis assumes all of the following *except*:

- Answer**
- stock prices follow a random walk.
 - a stock's worth is the present value of expected dividends.
 - ✓ stock pickers can identify undervalued stocks.
 - the price of a stock always equals the best estimate of its value.

◀ [Add Question Here](#)

Question 116 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

On average, over the period 1995–2005, just _____ of individually managed mutual funds had a _____ return than the S&P 500.

- Answer**
- ✓ 15; higher
 - 15; lower
 - 2; higher
 - 2; lower

◀ [Add Question Here](#)

Question 117 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Exceptions to the efficient markets hypothesis include all of the following, *except*:

- Answer**
- insider information.
 - ✓ rational expectations.
 - adaptive expectations.
 - fast traders.

◀ [Add Question Here](#)

Question 118 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Warren Buffet, the head of Berkshire Hathaway, is considered to be a genius at picking stocks because during the financial crisis of 2007–2009:

- Answer**
- he didn't lose money.
 - his company purchased \$1 billion of Goldman Sachs stock.
 - ✓ his stock picks performed better than the S&P 500.
 - All of the answers are correct.

◀ [Add Question Here](#)

Question 119 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When deciding which stocks to buy, savers should:

- Answer**
- choose one industry and buy stocks of companies only in that industry.
 - ✓ diversify their holdings of stocks.
 - buy stocks in only one company.
 - choose one industry and buy stocks of companies only in that industry or buy stocks in only one company

◀ [Add Question Here](#)

Question 120 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A stock mutual fund that hires managers to recommend which stocks to buy or sell is known as a(n):

- Answer**
- actively managed fund.
 - index fund.
 - thumb fund.
 - passively managed fund.

[◀ Add Question Here](#)

Question 121 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A stock mutual fund that does not try to pick stocks, but rather buys stocks in a stock index is known as a(n):

- Answer**
- actively managed fund.
 - index fund.
 - thumb fund.
 - passively managed fund.

[◀ Add Question Here](#)

Question 122 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

According to the efficient markets hypothesis:

- Answer**
- it should be very easy to find undervalued stocks.
 - stock prices should follow a random walk.
 - changes in stock prices should be predictable.
 - it should be very easy to find overvalued stocks.

[◀ Add Question Here](#)

Question 123 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Empirical research that examined mutual funds with above-average returns found that _____, thereby adding to the body of evidence _____ the efficient markets hypothesis.

- Answer**
- these funds kept beating the market index; against
 - in general, these funds did not beat the market index in the following years; against
 - these funds kept beating the market index; supporting
 - in general, these funds did not beat the market index in the following years; supporting

[◀ Add Question Here](#)

Question 124 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Individuals who think that beating the market is difficult, but not impossible, would probably follow which of the following strategies?

- Answer**
- do fast trading
 - pick stocks randomly by throwing darts at a stock index list
 - buy shares in an index fund
 - pick stocks by asking their toddlers to select them from a list

[◀ Add Question Here](#)

Question 125 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A futures contract is:

- Answer**
- a specified time in the future when a contract will be signed.
 - an agreement to trade an asset for a range of prices at a specified time in the future.
 - an agreement to trade an asset for a certain price at a specified time in the future.
 - There is not enough information provided to answer the question.

[◀ Add Question Here](#)

Question 126 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Who is the winner and who the loser in a futures contract depends upon the:

- Answer**
- interest rate.
 - amount of assets traded.
 - expected future spot price and the current price.
 - price in the futures contract and the current price.

[◀ Add Question Here](#)

Question 127 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which is the correct definition of a futures contract?

- Answer**
- a trade that is made today for delivery in three days
 - the right to trade a security before an expiration date
 - an agreement to trade a security at specified price at some point in the future
 - the difference between the bid and ask prices

[◀ Add Question Here](#)

Question 128 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A way to hedge risk is to use:

- Answer**
- derivatives.
 - futures.
 - options.
 - All of the answers are correct.

[◀ Add Question Here](#)

Question 129 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

If you buy an option,

- Answer** a transaction may or may not happen.
- a transaction occurs 90 days hence.
 - you must deposit 10 percent of the value of the option with an exchange.
 - you assume all the risk associated with the trade.

[◀ Add Question Here](#)

Question 130 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which is the correct definition of an option?

- Answer** the right to trade a security before an expiration date.
- an agreement to trade a security at specified price at some point in the future.
 - a trade that is made today for delivery in three days.
 - the difference between the bid and ask prices.

[◀ Add Question Here](#)

Question 131 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A "call" option allows a trader to _____ an option, while a "put" option allows a trader to _____ an option.

- Answer**
- trade; renege on trading
 - sell; buy
 - buy; sell
 - None of the answers are correct.

[◀ Add Question Here](#)

Question 132 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

When an individual chooses to exercise an option, she agrees to a _____ price.

- Answer** strike
- put
 - call
 - spot

[◀ Add Question Here](#)

Question 133 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Speculators are *not* necessarily interested in _____ but rather in generating profits from changes in _____.

- Answer**
- derivatives; cost structure
 - earning profits; attitudes toward risk
 - production; inflation
 - hedging risk; asset prices

[◀ Add Question Here](#)

Question 134 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

In 1995, Nick Leeson singlehandedly drove the British bank _____ into bankruptcy. Similarly, in 2008, Jérôme Kerviel lost 4.9 billion euros for the French bank _____.

- Answer** Barings LLC; Société Générale
- National Westminster; Crédit Lyonnais
 - Barclays Bank; Banque Populaire du Nord
 - Lloyds TSB Commercial Finance; Crédit Agricole d'Ile de France

[◀ Add Question Here](#)

Question 135 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

One of the quirky derivatives traded is:

- Answer** a weather future.
- on batting averages of baseball players.
 - votes on presidential elections.
 - All of the answers are correct.

[◀ Add Question Here](#)

Question 136 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Which of the following are derivatives?

- Answer**
- options
 - futures
 - credit default swaps
 - All of these are derivatives.

[◀ Add Question Here](#)

Question 137 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Futures exchanges insist that parties to the trade post a deposit with them to ensure that they are paid. This deposit is called _____.

- Answer**
- a margin
 - collateral
 - insurance
 - a down payment

[◀ Add Question Here](#)

Question 138 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

A ____ option allows a trader to buy a security, while a ____ option allows a trader to sell a security.

- Answer**
- futures, current
 - call, put
 - derivative, futures
 - credit default swap, put

[◀ Add Question Here](#)

Question 139 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

One reason that the credit default swap market grew so rapidly from 2000 to 2007 is that:

- Answer**
- credit default swaps were a new product that attracted great interest.
 - the economy was not growing and investors sought other ways to allocate their assets.
 - credit default swaps were traded on open exchanges.
 - people could buy credit default swaps on assets they did not own.

[◀ Add Question Here](#)

Question 140 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Suppose you buy a call option on one share of Google with a strike price of \$500 and you pay \$25 for it. The expiration date is 6 months from today. If 6 months from today a share of Google trades for \$550, you will _____ the call option and you will earn _____ after this transaction.

- Answer**
- not exercise; \$25
 - not exercise; zero
 - exercise; \$25
 - exercise; \$50

[◀ Add Question Here](#)

Question 141 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

Common types of derivatives include:

- Answer**
- U.S. Treasury bonds.
 - credit default swaps.
 - stocks.
 - corporate bonds.

[◀ Add Question Here](#)

Question 142 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

On January 1, 2011, Anne sells a futures contract for a Treasury bond to Ben. Anne promises to deliver the bond on July 1, 2011, and Ben promises to pay \$100 on that date. If Treasury bonds are selling for \$105 on July 1, 2011:

- Answer**
- both Anne and Ben win.
 - both Anne and Ben lose.
 - Anne wins and Ben loses.
 - Anne loses and Ben wins.

[◀ Add Question Here](#)

Question 143 **Multiple Choice** **0 points**

[Modify](#) [Remove](#)

Question

On January 1, 2011, Anne sells a futures contract for a Treasury bond to Ben. Anne promises to deliver the bond on July 1, 2011, and Ben promises to pay \$100 on that date. If Treasury bonds are selling for \$95 in July 1, 2011:

- Answer**
- Both Anne and Ben win.
 - Both Anne and Ben lose.
 - Anne wins and Ben loses.
 - Anne loses and Ben wins.

[◀ Add Question Here](#)

OK