**Investment Principles**

**Homework 1**

Following are 30 Multiple Choice questions, each worth 3.3 points**. Circle the answer you think most correct.**

**The Investment Environment**

1) Which of the following are traded in the securities market?

A) stocks

B) bonds

C) derivatives

D) all of the above

2) Investors seeking to increase their wealth as quickly as possible would invest in

A) corporate bonds and preferred stock.

B) large company stocks with high dividends.

C) smaller companies pursuing rapid growth.

D) government bonds and low-risk income stocks.

3) Which of the following is an example of a tangible asset.

A) Bonds

B) mutual funds

C) real estate

D) stocks

4) Which one of the following would be the most liquid investment?

A) stock

B) Series EE bond

C) money market mutual fund

D) real estate

5) Which of the following investments represents partial ownership of a corporation?

A) bonds

B) mutual funds

C) commercial paper

D) common stock

6) Investors seeking a diversified, professionally managed portfolio of securities can purchase shares of

A) preferred stock.

B) convertible securities.

C) insurance policies.

D) mutual funds.

7) Advantages of investing in real estate potentially include

I. rental income.

II. liquidity.

III. tax write offs.

IV. capital gains.

A) I and IV only

B) II and IV only

C) I, III and IV only

D) I, II, III and IV

8) Which of the following represent investment goals?

I. saving for major expenditures such as a house or education

II. sheltering income from taxes

III. increasing current income

IV. saving funds for retirement

A) I and IV only

B) I, III and IV only

C) III and IV only

D) I,,II, III and IV

9) In selecting investments consistent with your goals, you should consider

A) rates of return and taxes only.

B) the pre-tax rate of return only.

C) annual dividends and taxes only.

D) risks, returns, and taxes.

10) Sarah purchased a stock one year ago at a price of $32 a share. In the past year, she has received four quarterly dividends of $0.75 each. Today she sold the stock for $38 a share. Her capital gain per share is

A) $3.00.

B) $6.00.

C) $(6.00).

D) $9.00.

**Financial Markets**

1) Which one of the following statements about the NYSE is correct?

A) Each member of the exchange owns a trading post.

B) Any listed stock may be traded at any of 20 trading posts.

C) Brokerage firms are only permitted to have one individual trading on the floor of the exchange.

D) Buy orders are filled at the lowest price and sell orders are filled at the highest price.

2) In recent years, trading in secondary markets has increasingly become a function of

A) securities exchanges.

B) dealer markets.

C) technology that by-passes both brokers and dealers.

D) broker-dealer markets using consolidated venues and technologies.

3) Which of the following are correct statements concerning the NYSE?

I. Each stock has a designated location, called a post, at which its shares are traded.

II. The NYSE is a dealer market.

III. Supply and demand determines the price of each security.

IV. A specialist buys and sells to maintain a market for a particular security.

A) I and II only

B) I and III only

C) I, III and IV only

D) I, II, III and IV

4) Large technology companies such as IBM and Microsoft trade

A) exclusively on the NASDAQ.

B) exclusively on the NYSE.

C) on either the NASDAQ or the NYSE.

D) exclusively on alternative trading systems.

5) The NYSE has listing requirements that include a minimum

I. number of outstanding shares.

II. amount of pre-tax earnings.

III. market value of publicly held shares.

IV. number of shareholders owning 100 shares or more.

A) I and IV only

B) I, II and III only

C) II, III and IV only

D) I, II, III and IV

6) Which of the following are true concerning the NYSE Amex:

I. Many exchange traded funds are listed there.

II. Its listing requirements are stricter than the New York Stock Exchange.

III. It is a major market for exchange traded funds.

IV. It is a broker rather than a dealer exchange.

A) I and II only.

B) I and IV only.

C) I, III and IV only.

D) I, II, III and IV.

7) The major options exchanges such as the Chicago Board Options Exchange deal

A) securities based options and custom options.

B) options, futures contracts and exchange traded funds.

C) exclusively in options based on listed securities.

D) only in options based on listed securities and commodity futures.

8) The purpose of the Intermarket Trading System is to link major exchanges and dealer markets to

A) eliminate competition between brokers and dealers.

B) allow brokers and dealers to make transactions at the best price.

C) allow individual to compare the prices offered by various dealers and brokers.

D) allow individual investors to traded directly with each other.

9) The automated system for trading highly active OTC securities is the

A) Big Board.

B) Kansas City Board.

C) Chicago Board of Trade.

D) NASDAQ

10) The over-the-counter (OTC) market is a

A) centrally located auction market.

B) telecommunications network connecting dealers.

C) market solely for institutional traders.

D) geographically dispersed auction market.

**Information is Power**

1) Information that can be found on the Internet at no cost includes

I. P/E ratios.

II. recent news about a company.

III. financial statements.

IV. future earnings and stock prices.

A) I and IV only

B) II and III only

C) I, II and III only

D) I, II, III and IV

2) Charting is the technique of

A) plotting the performance of a security over time.

B) sorting through databases of securities to select one based on certain parameters.

C) monitoring a stock based on the underlying economic conditions.

D) determining the amount of money that must be saved based on a given financial goal.

3) Which one of the following is NOT published by the U.S. Government?

A) Federal Reserve Bulletin

B) Survey of Current Business

C) Kiplinger Washington Letter

D) Economic Report of the President

4) Regulation FD requires simultaneous disclosure of critical information simultaneously to investment professionals and the general public with the exception of

A) brokerage firms.

B) hedge funds.

C) securities rating service such as Moody's Investor Services and Standard & Poor's.

D) mutual fund managers.

5) Which one of the following web sites should you utilize to review the financial information in a company's 10-K report?

A) freeedgar.com

B) valueline.com

C) wsj.com

D) finance.yahoo.com

6) Which of the following is published yearly by publicly-held corporations and provided free to their stockholders and other investors?

A) brokerage reports

B) annual reports

C) back-office reports

D) red herrings

7) The published analysis and recommendations of an individual brokerage firm is called a

A) prospectus.

B) comparative data source.

C) back-office research report.

D) broker's subscription report.

8) The Value Line Investment Survey includes which of the following reports?

I. Selection and Opinion

II. The Outlook

III. Ratings and Reports

IV. Summary and Index

A) I and II only

B) I, II and IV only

C) I, III and IV only

D) II, III and IV only

9) Subscription letters are

A) sometimes geared to specific industries and companies.

B) available free on the Internet.

C) published on an annual basis.

D) descriptive in nature but do not offer investment advice.

10) Which of the following sites is especially valuable for information concerning mutual funds?

A) www.investopedia.com

B) www.morningstar.com

C) www.moody's.com

D) www.bondsonline.com