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- QUIZ • 30 MIN

## Lesson #14 Quiz

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Lesson #14 Quiz

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**Lesson #14 Quiz**

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1.

**Question 1**

Which of the following two options are deals that underwriters make with corporations?

**1 / 1 point**

Best efforts: the underwriters tries to sell shares at some price, and the deal collapses if they don't.

**Correct**

Short cut: the underwriters will cut the price of the shares if some of them remain unsold.

Loss safe: the underwriter will pay a penalty to the company if not all of the shares sell.

Bought deal: the underwriter will purchase all unsold shares.

**Correct**

2.

**Question 2**

Why do underwriters usually underprice IPOs?

**1 / 1 point**

They don't know how much the company is really worth

They want to create public excitement

They do not want the company to make as much money as it could.

They want their favorite customers to be able to buy shares for cheaper

**Correct**

The underwriter is incentivized to create positive public sentiments about their shares, and the company will in turn benefit from this publicity.

3.

### Question 3

Which of the following was NOT a feature that Charles Ellis believed made Goldman Sachs successful?

**1 / 1 point**

Absolute loyalty to the firm

Making money

Becoming prestigious

Personal anonymity

**Correct**

He argued that the main advantage of prestige for them was the ability to make money.

4.

#### Question 4

What is a rating agency?

**1 / 1 point**

An agency which assigns credit scores to individuals.

Any agency which refuses to take money from corporations for rating their securities.

An agency which publishes its ratings on the reliability of securities.

An agency which rates the business practices of corporations.

**Correct**

Rating agencies rate bonds, preferred stock, and other securities.

5.

Question 5

Why was the Glass-Steagall Act of 1933 repealed in 1999?

**1 / 1 point**

Investors felt inconvenienced that a single bank could not function as both an investment and a commercial bank.

American banks claimed that it made it hard to compete with European banks, which offered both investment and commercial banking services.

It was ruled unconstitutional by the supreme court.

Investment banking was too costly for some companies, which could not manage both investment and commercial banking services.

**Correct**

European banks have always been able to offer all of these services.

6.

Question 6

What were the two biggest assets of the average (not median) US household in 2015?

**1 / 1 point**

Real estate and mutual funds

Mutual funds and corporate equities

Real estate and pension funds

Real estate and corporate equities

**Correct**

These accounted for \$25,278 billion and \$20,972 billion respectively in 2015.

7.

Question 7

Which best describes the “prudent person” rule?

**1 / 1 point**

A law which mandates that investment managers must do what another educated, experienced investment manager might do in a similar circumstance.



A guideline that individuals should look for funds managers who show prudence.

A new rule for fund managers which is starting to apply to newer regulations.

A law which limits the amount of risk with which funds managers may invest money

**Correct**

The law states that they must act “with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.”

8.

Question 8

Which of the following is NOT true of mutual funds?

1 / 1 point

Mutual funds are closed end funds.

You join the fund at 4:00 PM on the day you decide to invest.

They are defined and regulated by the SEC.

Massachusetts Investment Trust was an early model for mutual funds in the US.

**Correct**

Mutual funds are open end funds.