Quiz (chapter 14)

Due Feb 13 at 11:59pm   **Points** 14   **Questions** 14

Available Feb 11 at 12am - Feb 13 at 11:59pm 3 days   **Time Limit** 30 Minutes

Instructions

This quiz covers material from chapter 14.

The time limit is 30 minutes.

This quiz was locked Feb 13 at 11:59pm.

Attempt History

	Attempt	Time	Score
LATEST	**Attempt 1**	13 minutes	13 out of 14

Score for this quiz: **13** out of 14
Submitted Feb 11 at 7:49am
This attempt took 13 minutes.

Question 1   1 / 1 pts

The field of finance primarily studies

    ○   how society manages its scarce resources.

Correct!   ⦿   the implications of time and risk for allocating resources over time.

    ○   firms' decisions concerning how much to produce and what price to charge.

    ○   how society can reduce market risk.

Question 2

1 / 1 pts

The financial system

- ○ involves bank accounts, mortgages, stock prices, and many other items.

- ○ involves decisions and actions undertaken by people at a point in time that affect their lives in the future.

- ○ coordinates the economy's saving and investment.

Correct!

- ◉ All of the above are correct.

Question 3

1 / 1 pts

Imagine that someone offers you $100 today or $200 in 10 years. You would prefer to take the $100 today if the interest rate is

- ○ 4 percent.

- ○ 6 percent.

Correct!

- ◉ 8 percent.

- ○ All of the above are correct.

Question 4

1 / 1 pts

If the interest rate is 4 percent, then you would be equally happy if you received a gift of either $100 today or a gift of

  ○ $110.00 two years from today.

Correct! ◉ $112.49 three years from today.

  ○ $116.00 four years from today.

  ○ $123.67 five years from today.

Question 5   1 / 1 pts

Compounding refers directly to

  ○ finding the present value of a future sum of money.

  ○ finding the future value of a present sum of money.

  ○ changes in the interest rate over time on a bank account or a similar savings vehicle.

Correct! ◉ interest being earned on previously-earned interest.

Question 6   1 / 1 pts

According to the rule of 70, if the interest rate is 5 percent, how long will it take for the value of a savings account to double?

  ○ about 3.5 years

⚪ about 6.3 years

⚪ about 12 years

Correct!

◉ about 14 years

Question 7

1 / 1 pts

If Joanna is risk averse, then

⚪ her utility function exhibits the property of decreasing utility.

⚪ her utility function exhibits the property of increasing marginal utility.

Correct!

◉ she dislikes bad things more than she likes comparable good things.

⚪ she is unlike most people, because most people are *not* risk averse.

Question 8

0 / 1 pts

Figure 27-2. The figure shows a utility function for Britney.
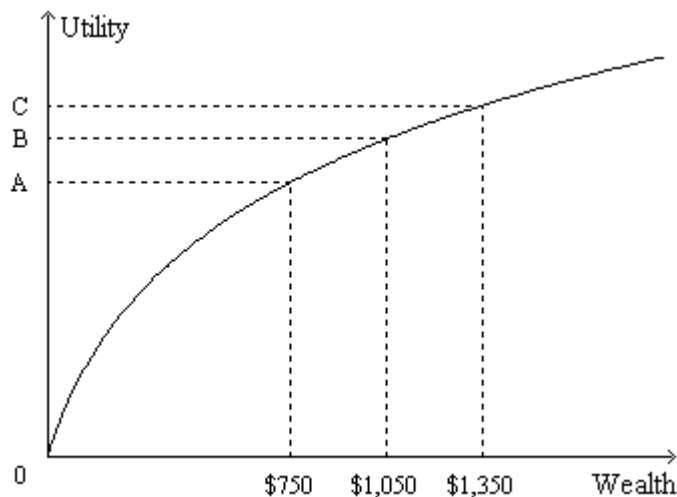
Refer to Figure 27-2. From the appearance of the utility function, we know that

⦿ Britney is risk averse.

○

Britney gains less satisfaction when her wealth increases by *X* dollars than she loses in satisfaction when her wealth decreases by *X* dollars.

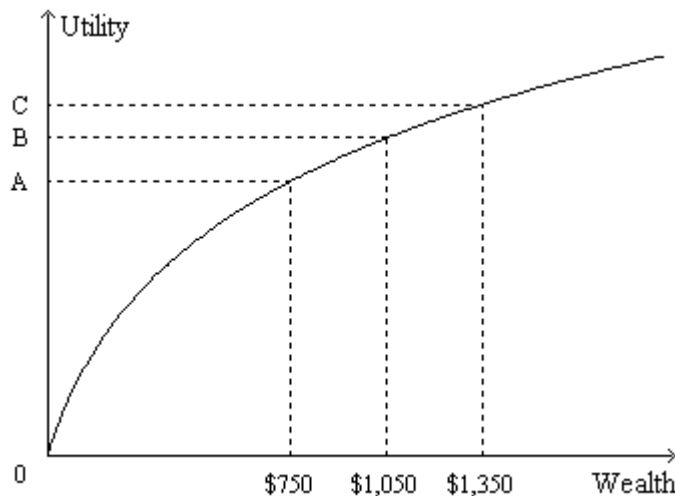○ the property of diminishing marginal utility applies to Britney.

○ All of the above are correct.

Question 9

1 / 1 pts

Figure 27-2. The figure shows a utility function for Britney.

Refer to Figure 27-2. Suppose the vertical distance between the points (0, A) and (0, B) is 5. If her wealth increased from $1,050 to $1,350, then

Correct!

○ Britney's subjective measure of her well-being would increase by less than 5 units.

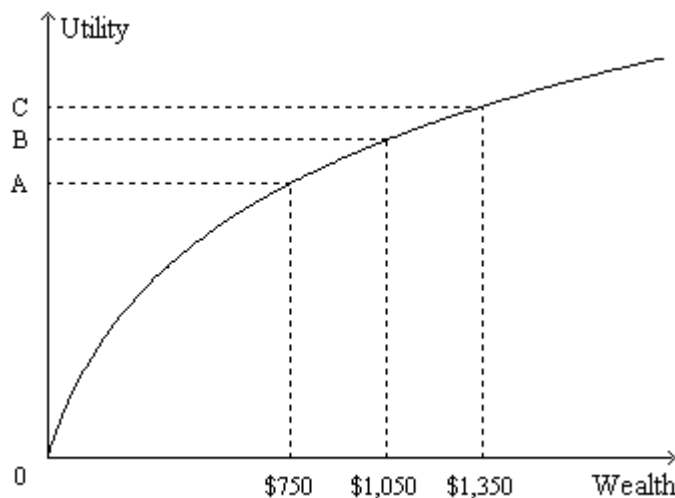○ Britney's subjective measure of her well-being would increase by more than 5 units.

○ Britney would change from being a risk-averse person into a person who is not risk averse.

○ Britney would change from being a person who is not risk averse into a risk-averse person.

Question 10   1 / 1 pts

Figure 27-2. The figure shows a utility function for Britney.

Refer to Figure 27-2. Suppose Britney begins with $1,050 in wealth. Starting from there,

○ she would be willing to accept a coin-flip bet that would result in her winning $300 if the result was "heads" or losing $300 if the result was "tails."

○ the pain of losing $300 of her wealth would equal the pleasure of adding $300 to her wealth.
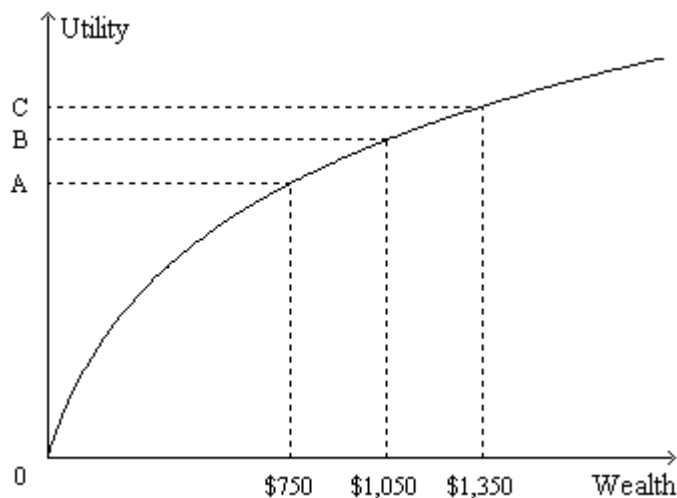
Correct!

◉ **the pain of losing $300 of her wealth would exceed the pleasure of adding $300 to her wealth.**

○ the pleasure of adding $300 to her wealth would exceed the pain of losing $300 of her wealth.

Question 11   1 / 1 pts

Figure 27-2. The figure shows a utility function for Britney.

Refer to Figure 27-2. Suppose Britney begins with $1,050 in wealth. Which of the following coin-flip bets would she definitely *not* be willing to accept?

   ○ If it is "heads," she wins $100; if it is tails, she loses $95.

Correct!

   ◉ If it is "heads," she wins $150; if it is tails, she loses $150.

   ○ If it is "heads," she wins $150; if it is tails, she loses $140.

   ○ She definitely would *not* accept any of these bets.

Question 12   1 / 1 pts

Which of the following is correct?

   ○ Risk-averse people will not hold stock.

   ○ Diversification cannot reduce firm-specific risk.

Correct!

   ◉
   The larger the percentage of stock in a portfolio, the greater the risk, but the greater the average return.

   ○
   Stock prices are determined by fundamental analysis rather than by supply and demand.

Question 13   1 / 1 pts

Suppose fundamental analysis indicates that XYZ Corporation's stock is undervalued.

○ This means its present value is less than its price. You should consider adding the stock to your portfolio.

○ This means its present value is less than its price. You shouldn't consider adding the stock to your portfolio.

Correct!

◉ This means its present value is more than its price. You should consider adding the stock to your portfolio.

○ This means its present value is more than its price. You shouldn't consider adding the stock to your portfolio.

Question 14   1 / 1 pts

According to the efficient market hypothesis, which of the following statements is *not* correct?

Correct!

◉ Stock market prices tend to rise today if they rose yesterday.

○ As judged by the typical person in the market, all stocks are fairly valued all the time.

○ At the market price, the number of shares being offered for sale matches the number of shares people want to buy.

○ All of the above statements are incorrect.

Quiz Score: **13** out of 14