

Question 1**3 / 3 pts**

The main function of the financial system is the channeling of funds from deficit units to surplus units

☐ True☒ False**Question 2****3 / 3 pts**

"Open outcry" (Floor trading) is a method of dealing in OTC markets

☐ True☒ False

Question 3**3 / 3 pts**

Securities are tradable, negotiable financial instruments

 ☒ True☐ False**Question 4****3 / 3 pts**

Brokers carry inventory and take positions

☐ True ☒ False**Question 5****2 / 2 pts**

A Eurobond is a bond denominated in Euros

☐ True ☒ False

According to Alan Greenspan, one main reason why the 1997-1999 Asian financial crisis was so devastating to the Asian economies is that Asian financial markets were almost exclusively relying on indirect finance

☐ True

☒ False

Question 7

3 / 3 pts

Which of the following is a legally binding obligation but not a residual claim on a company's assets:

☒ Debt

☐ Equity

Examples of OTC markets include all of the following EXCEPT:

☒ Interbank market

☐ Bond markets

☐ Foreign exchange market

☐ Futures market

Question 9

3 / 3 pts

Hong Kong Land issuing a bond denominated in USD in the European market which is NOT offered for sale in the US is an example of a:

☐ Domestic USD issue

☐ Foreign Issue

☒ Eurobond

Question 10**3 / 3 pts**

The MTRC (Hong Kong's subway and train operator) issues a USD denominated bond in the US market. This is considered an:

 ☒ Internal issue☐ External issue**Question 11****3 / 3 pts**

In the case above, the MTRC is doing a:

☐ Domestic USD issue ☒ Foreign Issue☐ Eurobond

Question 12

3 / 3 pts

In the case above, the BIS will record this issue as a:

- ☐ National issue
- ☒ International issue

Question 13

0 / 6 pts

Suppose the cash flows for a bond's coupon payment for years 1 through 5 are \$100. That is, $CF_t = \$100$ for $t = 1, \dots, 5$. Further assume the discount rate is 8.00% and at the end of year 5 the bond will pay back the bond's par value of \$1,000. To the nearest dollar, what is the correct price for this bond?

- ☐ \$860
- ☐ \$980
- ☐ \$1,080
- ☒ \$1,100

The Asian Development Bank is an example of:

- ☐ Supranational
- ☒ Sovereign
- ☐ Quasi-Sovereign

Question 15

2 / 2 pts

Miss Apple So sells 100 Hutchinson shares on the HKEx. This is a:

- ☐ Primary market transaction
- ☒ Secondary market transaction

A corporation acquires new funds only when its securities are sold in the

- ☒ secondary market by an investment bank.
- ☐ primary market by an investment bank.
- ☐ secondary market by a stock exchange broker
- ☐ secondary market by a commercial bank.

Question 17

3 / 3 pts

Intermediaries who are agents of investors and match buyers with sellers of securities are called

- ☒ brokers
- ☐ dealers

Question 18


0 / 3 pts

The fundamental principle of finance is that the true or correct price of an asset equals the _____ of all cash flows that the owner of the asset expects to receive during its life.

 ☐ present value ☒ future value☐ projected value☐ asset value**Question 19**

3 / 3 pts

If a \$2,000 coupon bond has a coupon rate of 7 percent, then the coupon payment every year is

☐ \$700☐ \$70 ☒ \$140☐ \$14

Question 20**3 / 3 pts**

Real estate agents are an example of:

☒ broker☐ dealer**Question 21****0 / 3 pts**

A zero coupon bond is a bond that:

☒ pays interest annually and its face value at maturity☐ pays interest in perpetuity and never matures☐ pays no interest but pays face value at maturity☐ rises in value as its yield to maturity rises.

Question 22**4 / 4 pts**

The yield to maturity on a consol bond that pays \$100 yearly and sells for \$1000 is

- ☐ 5%
- ☒ 10%
- ☐ 20%
- ☐ 25%

Question 23**3 / 3 pts**

The yield to maturity for a one-year discount (zero coupon) bond equals

- ☒ the increase in price over the year, divided by the initial price
- ☐ the increase in price over the year, divided by the face value
- ☐ the increase in price over the year, divided by the interest rate
- ☐ none of the above.

If a \$10,000 face value discount (zero coupon) bond maturing in one year is selling for \$9,000, then its yield to maturity is

- ☐ 9%
- ☐ 10%
- ☒ 11%
- ☐ 12%

Question 25

0 / 5 pts

Which of the following \$1,000 face value securities has the highest yield to maturity

- ☐ A 5 percent coupon bond selling for \$1,000
- ☐ A 10 percent coupon bond selling for \$1,000
- ☒ A 15 percent coupon bond selling for \$1,000
- ☐ A 15 percent coupon bond selling for \$900

With an interest rate of 7 percent, the present value of \$100 received two years from now is approximately

er ☐ \$87

ed ☒ \$99

☐ \$100

☐ \$103

Question 27

0 / 5 pts

With an interest rate of 9 percent, the present value of a security that pays \$900 next year, \$1,200 three years from now and \$1,350 four years from now is approximately

☐ \$1,800

er ☐ \$2,700

ed ☒ \$2,860

☐ \$3,000

Question 28**5 / 5 pts**

Which of the following \$1,000 face value securities has the highest yield to maturity?

- ☐ A 5 percent coupon bond selling for \$1,000
- ☐ A 10 percent coupon bond selling for \$1,000
- ☒ A 12 percent coupon bond selling for \$1,000
- ☐ A 12 percent coupon bond selling for \$1,100

Correct!**Question 29****0 / 5 pts**

If a \$10,000 face value discount bond maturing in one year is selling for \$5,000, then its yield to maturity is

- ☐ 5%
- ☒ 10%
- ☐ 50%
- ☐ 100%

You Answered**Correct Answer**