Question #1 of 33

Question ID: 1458214

A basket of listed depository receipts (BLDR) is *best* described as a(n):

A) exchange traded fund of depository receipts.

B) index of global depository receipts that trade on a specific exchange.

C) special purpose vehicle for issuing depository receipts in multiple countries.

Question #2 of 33

Question ID: 1458205

With which of the following types of equity shares does the investor typically have the greatest voting power?

A) Common shares.

B) Participating preference shares.

C) Unsponsored depository receipts.

Question #3 of 33

Question ID: 1458206

Cheryl Brower and Todd Sutter each own 100 shares of Hills Company stock. In a recent proxy vote, Brower had 100 votes but Sutter had 10 votes. The *most likely* reason for this difference in voting rights is that:

A) Brower is a director of Hills Company.

B) Brower and Sutter own different classes of stock.

C) Hills Company uses a statutory voting method.

Question #4 of 33

Question ID: 1458220

Compared to preferred stock, common stock is *most likely* to:

A) exhibit a lower standard deviation of returns.

B) pay more frequent dividends.

C) provide a higher average return.

Question #5 of 33

Question ID: 1458222

The primary reason for a firm to issue equity securities is to:

A) acquire the assets necessary to carry out its operations.

B) improve its solvency ratios.

C) increase publicity for the firm’s products.

Question #6 of 33

Question ID: 1458225

The difference between a firm's balance sheet assets and liabilities is equal to the firm's:

A) market value of equity.

B) book value of equity.

C) intrinsic value of equity.

Question #7 of 33

Question ID: 1458229

Which of the following changes would *most likely* cause a firm's return on equity to increase?

A) Net income decreases by 5% and average book value of equity decreases by 10%.

B) Net income increases by 5% and average book value of equity increases by 10%.

C) Net income increases by 5% and average book value of equity increases by 5%.

Question #8 of 33

Question ID: 1458204

Johnson Company shuts down and is liquidated. Bob Smith owns 100 common shares of Johnson, but has a lower priority of claims than Al Jones, who also owns 100 common shares. Smith *most likely* owns:

A) Class B shares.

B) non-cumulative shares.

C) non-participating shares.

Question #9 of 33

Question ID: 1458228

A firm's cost of equity capital is *least accurately* described as the:

A) expected total return on the firm's equity shares in equilibrium.

B) minimum rate of return investors require to invest in the firm's equity securities.

C) ratio of the firm's net income to its average book value.

Question #10 of 33

Question ID: 1458226

For a non-dividend paying firm, an increase in net income must increase:

A) book value of equity.

B) both book value and market value of equity.

C) market value of equity.

Question #11 of 33

Question ID: 1458224

Which of the following statements about the role of equities in financing a company's assets is *most accurate*?

A) Equity capital is typically used for the purchase of long-term assets and expansion into new areas.

B) Management can directly increase the market value of equity by increasing net income.

C) The book value and market value of equities is usually the same.

Question #12 of 33

Question ID: 1458227

The book value of equity is equal to a firm's assets:

A) plus its retained earnings.

B) minus its liabilities.

C) plus its accumulated other comprehensive income.

Question #13 of 33

Question ID: 1458203

Securities that can be sold back to the issuing firm at a specific price are *best* described as:

A) convertible.

B) callable.

C) putable.

Question #14 of 33

Question ID: 1458212

A security that represents an equity share in a foreign firm and for which the voting rights are retained by the depository bank, is a(n):

A) American depository share.

B) global registered share.

C) unsponsored depository receipt.

Question #15 of 33

Question ID: 1458213

Global depository receipts are *most likely* issued:

A) in the United States and denominated in U.S. dollars.

B) outside the issuer's home country and denominated in the exchange's home currency.

C) outside the issuer's home country and denominated in U.S. dollars.

Question #16 of 33

Question ID: 1458207

Two investors, Craig Tower and Erin Gray, own 100 shares each of the same company. Tower receives a quarterly dividend while Gray does not. This is *most likely* because Tower:

A) owns a different class of stock than Gray.

B) owns common shares while Gray owns preferred shares.

C) purchased his shares after Gray purchased her shares.

Question #17 of 33

Question ID: 1458208

Compared to a publicly traded firm, a private equity firm is *most likely* to:

A) exhibit stronger corporate governance.

B) disclose less financial information.

C) be more concerned with short-term results.

Question #18 of 33

Question ID: 1458217

Other things equal, which of the following types of stock has the *most* risk from the investor's perspective?

A) Callable common share.

B) Putable common share.

C) Callable preferred share.

Question #19 of 33

Question ID: 1458199

Two seats on a board of directors are to be elected. A voting system in which the owner of 100 shares may cast 100 votes in each of the board elections is a:

A) cumulative voting system.

B) proportional voting system.

C) statutory voting system.

Question #20 of 33

Question ID: 1458223

Equity securities are *least likely* issued to finance:

A) inventories.

B) research and development.

C) equipment.

Question #21 of 33

Question ID: 1458201

Dividends on non-participating preference shares are typically:

A) a contractual obligation of the company.

B) a fixed percentage of par value.

C) lower than the dividends on common shares.

Question #22 of 33

Question ID: 1458218

Other things equal, preference shares have the *most* risk for the investor when they are:

A) putable and cumulative.

B) callable and non-cumulative.

C) non-callable and non-cumulative.

Question #23 of 33

Question ID: 1458210

Hodges Fund provides mezzanine stage financing to private companies. In which type of private equity investing is Hodges Fund most likely involved?

A) Leveraged buyout.

B) Private investment in public equity.

C) Venture capital.

Question #24 of 33

Question ID: 1458230

When analyzing an industry characterized by increasing book values of equity, return on equity for a period is *most* appropriately calculated based on:

A) beginning book value.

B) ending book value.

C) average book value.

Question #25 of 33

Question ID: 1463599

Which of the following is *least accurate* regarding a firm's common shareholders?

A) Typically, they can vote for the board of directors and on other important corporate matters.

B) They have a claim against the assets of the corporation before liabilities are paid.

C) They have an interest in the profitability and growth of the firm.

Question #26 of 33

Question ID: 1458200

Requiring the firm to pay any scheduled dividends that have been missed, before paying any dividends to common equity holders, is a feature of:

A) all preference shares.

B) participating preference shares only.

C) cumulative preference shares only.

Question #27 of 33

Question ID: 1458216

Preference shares will have the *most* risk for the investor if the shares are:

A) callable and cumulative.

B) callable and non-cumulative.

C) non-callable and non-cumulative.

Question #28 of 33

Question ID: 1458219

In a period when U.S. equity prices are increasing and the U.S. dollar is depreciating, which of the following investors in U.S. equities is *most likely* to earn the highest return in the investor's local currency?

A) Non-U.S. investor who does not reinvest dividends.

B) Non-U.S. investor who reinvests dividends.

C) U.S. investor who reinvests dividends.

Question #29 of 33

Question ID: 1458221

Common equity share types ranked from least risky to most risky are:

A) callable, putable, option-free.

B) option-free, putable, callable.

C) putable, option-free, callable.

Question #30 of 33

Question ID: 1458209

Private equity securities *most likely*:

A) trade in over-the-counter dealer markets.

B) are issued to individual investors.

C) are illiquid and do not have quoted prices.

Question #31 of 33

Question ID: 1462889

A U.S. investor purchases ADRs of a Japanese company, while a Japanese investor purchases the same value of the company's common stock. Compared to the Japanese investor, the U.S. investor will *most likely*:

A) realize different returns.

B) face the same risk.

C) benefit from greater transparency.

Question #32 of 33

Question ID: 1462888

Private equity investment securities are issued:

A) only by private firms.

B) by both public and private firms.

C) by public firms but not by private firms.

Question #33 of 33

Question ID: 1458202

Participating preference shares *most likely*:

A) give the shareholder the right to sell the shares back to the firm at a specific price.

B) receive extra dividends if firm profits exceed a predetermined threshold.

C) can be exchanged for common stock at a ratio determined at issuance.