|  |
| --- |
| *Indicate the answer choice that best completes the statement or answers the question.* |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Which of the following is true of securities brokers?   |  |  |  | | --- | --- | --- | |  | a. | They earn a profit by selling securities for higher prices than they paid to purchase them. | |  | b. | They collect premiums from policyholders. | |  | c. | They act as agents for investors who want to buy or sell financial securities. | |  | d. | They issue new securities to raise financial capital. | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. Helmert Federal, a financial institution, acquires its funds primarily from the deposits of its customers, and then uses these funds to make mortgage loans for individuals interested in purchasing real estate properties. Helmert Federal is a(n) \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | credit union | |  | b. | savings and loan association | |  | c. | securities and exchange commission | |  | d. | investment bank | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. Which of the following statements is true of credit unions?   |  |  |  | | --- | --- | --- | |  | a. | They are open to individuals who belong to a specific field of membership. | |  | b. | They are the most common depository institutions. | |  | c. | They are for-profit organizations. | |  | d. | They are a much bigger player in financial markets than commercial banks. | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. The Securities and Exchange Commission (SEC) has the authority to go after individuals who engage in illegal insider trading, which is the practice of:   |  |  |  | | --- | --- | --- | |  | a. | creating dummy corporations to serve as a front for companies trading in illegal goods. | |  | b. | disseminating fraudulent information in trade-related chat rooms or forums. | |  | c. | deceptively promoting securities of small companies of under $250 million market capitalization and then selling them to an unwary public. | |  | d. | using inside information to profit unfairly from trading in a company's securities. | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. A wave of bank failures occurred in the United States in the early 1930s as the economy sank into the Great Depression. Congress responded by passing the \_\_\_\_\_ of 1933.   |  |  |  | | --- | --- | --- | |  | a. | Export-Import Bank Act | |  | b. | Banking Act | |  | c. | Bank Holding Company Act | |  | d. | Bank Secrecy Act | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. A(n) \_\_\_\_\_ is a type of stock that gives its holder priority over common stockholders in terms of dividends and claims on assets.   |  |  |  | | --- | --- | --- | |  | a. | preferred stock | |  | b. | growth stock | |  | c. | value stock | |  | d. | income stock | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. One drawback of exchange-traded funds (ETFs) is that investors:   |  |  |  | | --- | --- | --- | |  | a. | are not able to buy diversified securities. | |  | b. | have to pay brokerage commissions every time they buy or sell shares. | |  | c. | are forced to pay higher fees as compared to mutual funds. | |  | d. | can buy or sell shares only after the major stock exchanges are closed. | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. A drawback of actively managed funds is:   |  |  |  | | --- | --- | --- | |  | a. | the meagre fee that the professional managers of the funds receive. | |  | b. | that significant tax consequences occur when there is a lot of trading. | |  | c. | the difficulty in redeeming shares from the fund. | |  | d. | the uncertainty of recovering at least a portion of the initial investment. | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. If Carl is a preferred stockholder at Cedia Inc., and Cedia goes out of business, Carl's claim on the firm's assets:   |  |  |  | | --- | --- | --- | |  | a. | takes precedence over common stockholders. | |  | b. | takes precedence over the claims of any creditors. | |  | c. | can be fulfilled only after the firm has paid dividends on its common stock. | |  | d. | is limited to any capital gain that the company has not paid. | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. Urasil Mobil Corporation is a small petrochemicals firm. Since the owners of the firm do not want to pay a high listing fee, the firm's shares are not listed on an organized exchange. In this case, Urasil Mobil Corporation would trade its stocks in the \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | over-the-counter market | |  | b. | money market | |  | c. | free market | |  | d. | private-player market | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. In private placements, \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | securities that have been registered with the Securities and Exchange Commission can only be sold to other preferred stockholders | |  | b. | securities that haven't been registered with the Securities and Exchange Commission can only be sold to other accredited investors | |  | c. | securities have to be registered with the Securities and Exchange Commission | |  | d. | securities are negotiated by the issuing firm with all the investors available in the market | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. In the context of buying and selling securities, placing a sell limit order:   |  |  |  | | --- | --- | --- | |  | a. | prevents your broker from buying low and selling high over a relatively short time horizon. | |  | b. | prevents your broker from selling your stock at a price you believe is too low. | |  | c. | instructs your broker to sell your stock at the current market price. | |  | d. | instructs your broker to sell your stock just before it becomes undervalued in the market. | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. In the context of personal investing, which of the following statements is true of discount brokers?   |  |  |  | | --- | --- | --- | |  | a. | They provide the basic services needed to buy and sell securities. | |  | b. | They are solely involved in buying and selling foreign securities. | |  | c. | They charge higher commissions than full-service brokers. | |  | d. | They charge inactivity fees if investors do not place enough orders. | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. Which of the following is a difference between full-service brokers and discount brokers?   |  |  |  | | --- | --- | --- | |  | a. | Unlike full-service brokers, discount brokers offer the ability to buy and sell foreign securities. | |  | b. | Discount brokers tend to charge significantly lower commissions than full-service brokers. | |  | c. | Unlike full-service brokers, discount brokers provide trading advice in addition to carrying out the trade. | |  | d. | Discount brokers provide a wider range of services than full-service brokers. | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. In the context of major stock price indices, the \_\_\_\_\_ tracks the stock prices of relatively small but actively traded U.S. corporations.   |  |  |  | | --- | --- | --- | |  | a. | Nikkei 225 | |  | b. | Russell 2000 | |  | c. | Standard & Poor's 500 | |  | d. | FTSE 100 | |

**Answer Key**

|  |
| --- |
| 1. c |

|  |
| --- |
| 2. b |

|  |
| --- |
| 3. a |

|  |
| --- |
| 4. d |

|  |
| --- |
| 5. b |

|  |
| --- |
| 6. a |

|  |
| --- |
| 7. b |

|  |
| --- |
| 8. b |

|  |
| --- |
| 9. a |

|  |
| --- |
| 10. a |

|  |
| --- |
| 11. b |

|  |
| --- |
| 12. b |

|  |
| --- |
| 13. a |

|  |
| --- |
| 14. b |

|  |
| --- |
| 15. b |