

Slides 1 - The Investment Environment

Name: _____

1. a. Securities are _____.

- ☐ assets secured by some collateral
- ☐ secure locations to store items of value
- ☐ tradable financial assets
- ☐ tradable physical assets

2. a. What are types of financial assets (securities)?

Check all that apply:

- ☐ Bonds
- ☐ Derivatives
- ☐ Real estate
- ☐ Stocks

3. a. _____ assets are used to produce products or services, while _____ assets are claims on real assets or on the cash flows they produce.

- ☐ Financial; real
- ☐ Financial; tangible
- ☐ Real; financial
- ☐ Tangible; real

4. a. Which of the following are real assets?

Check all that apply:

- ☐ Corporate bond
- ☐ Factory
- ☐ Machine
- ☐ Patent
- ☐ Plot of land

5. a. Which of the following are financial assets?

Check all that apply:

- ☐ \$100 note
- ☐ Bank loan
- ☐ Machine
- ☐ Patent
- ☐ Share of stock

6. a. A derivative is _____.

- ☐ a call option
 - ☐ a copy-cat security
 - ☐ a piece of work derived from some other piece of work
 - ☐ any security whose value is derived from the value of some other asset
7. a. The problems stemming from a conflict of interest between shareholders and executives are called _____ problems.
- ☐ agency
 - ☐ coordination
 - ☐ incompatibility
 - ☐ opportunity
8. a. Trying to identify mispriced financial assets is an example of _____.
- ☐ asset allocation
 - ☐ financial research
 - ☐ asset identification
 - ☐ security selection
9. a. In general, an asset with higher expected return _____.
- ☐ is less expensive
 - ☐ is more expensive
 - ☐ has lower risk
 - ☐ has higher risk
10. a. Which of the following is true about passive vs active management?
- ☐ Active managers usually allocate their capital between one or more index funds.
 - ☐ Active managers usually allocate their capital to a fixed risky portfolio and change their allocations only as a result of changes in their risk tolerance.
 - ☐ Active managers usually try to achieve returns higher than commensurate with risk by identifying mispriced assets.
 - ☐ Passive managers usually engage in both market timing and security selection.
 - ☐ Passive managers usually engage in market timing.
- b. _____ refers to the attempt to identify mispriced securities or to predict broad market trends.
- ☐ Active management
 - ☐ Asset allocation
 - ☐ Passive management
 - ☐ Security selection
11. a. _____ are markets in which financial securities are issued for the first time, while _____ are markets where already existing securities are traded.
- ☐ Issue markets; liquidity markets
 - ☐ Issue markets; secondary markets

- ☐ Primary markets; liquidity markets
- ☐ Primary markets; secondary markets