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| Instructor: |  |  | Name: |  |
| Results: |  |  | Class: |  |
|  |  |  | Period: |  |
|  |  |  | Date: |  |

Choose the best answer.

1. How an investor allocates or divides up the assets in a portfolio is called?
   1. diversification
   2. balance
   3. asset allocation
2. How many stocks should a portfolio have to be adequately diversified?
   1. 15 - 20
   2. 1-10
   3. 3 - 5
   4. 5 - 10
3. A collection of financial assets, such as stocks, bonds, real estate, commodities and perhaps cash or bank deposits is called?
   1. broker
   2. Investment portfolio
   3. leverage
4. Never put money in the stock market that, if it disappeared or went to zero, would affect your lifestyle.
   1. True
   2. False

1. \_\_\_\_\_\_\_\_\_\_\_\_\_ involves placing money at risk in the hopes of earning a positive rate of return.
   1. time horizon
   2. capitalization
   3. leverage
   4. investing
2. Leverage
   1. increases your risk
   2. magnifies your rate of return
   3. may leave you with a debt to your broker
   4. all of the above
3. An investor with low risk aversion has high risk tolerance.
   1. True
   2. False
4. A willingness to hold riskier assets in the portfolio is?
   1. diversification
   2. risk tolerance
   3. aversion
   4. leverage
5. Choosing companies in a broad range of industries and with different market capitalizations is a way to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
   1. leverage
   2. compound
   3. diversify
6. What is the most effective way to reduce risk?
   1. a diversified portfolio
   2. ETF’s
   3. Mutual Funds
   4. invest in a hot tip

**Answer Key**

1. c

2. a

3. b

4. a

5. d

6. d

7. a

8. b

9. c

10.