



## Take Test: Unit VII Assessment

### Instructions

Name Unit VII Assessment

Instructions

### Instructions

1. You may open this unit assessment multiple times, but you may only submit it once.
2. You may print the unit assessment and prepare your answers offline. Alternatively, you may enter and save your answers for a portion of the assessment and continue at a later time.
3. Your textbook and other reference materials may be used to complete this assessment.
4. When answering the **multiple choice** questions, mark the correct response in Blackboard.
5. When answering the **written response** questions, please follow these requirements:
  - a. Your answer to each written response question should contain a minimum 200 word response.
  - b. Spelling and grammar will impact your grade. Make certain to proofread each written response carefully before clicking on the submit button.
  - c. Make certain that all of your sources (including your textbook) are referenced at the end of the written response and that directly quoted information within your written response is cited to show the difference between your ideas and the exact words of your sources.
  - d. General encyclopedias are prohibited sources. They are NOT to be used.

Examples of prohibited sources include, but are not limited to, Wikipedia, Encarta, and World Book.
  - e. It is suggested (although not required) that these references and citations be put in APA Style because you will be using this style in other papers, projects, case studies, and article reviews. On the main page of the course you will find a "My Library" button on the left; click it and then "APA Resources" for extensive information of APA Style.
6. Once all questions have been answered, click the "Submit" button located at the bottom of the assessment.
7. If you have questions regarding your sources or general questions regarding the assessment, please contact your professor.

Multiple Attempts Not allowed. This Test can only be taken once.

Force Completion This Test can be saved and resumed later.

Test/Survey Status

Save All Answers

Close Window

Save and Submit

**Question 1**

4 points

Save Answer

Warrants are

- long-term options to sell shares of the issuing firm's stock.
- fairly stable, low-risk investments.
- investments whose value is directly related to the price of the underlying stock.
- structured to sell for precisely their intrinsic value.

**Question 2**

4 points

Save Answer

A contract giving the owner the right to buy or sell an asset at a fixed price for a given period of time is

- a common stock.
- an option.
- a futures.
- a capital investment.

**Question 3**

4 points

Save Answer

The principle device used by the corporation to force conversion

- is setting the conversion price above the current market price.
- is reducing the amount of interest payments.
- is buying bonds back at below par value.
- is a call provision.

**Question 4**

4 points

Save Answer

A convertible bond is currently selling for \$1335. It is convertible into 20 shares of common which presently sell for \$56 per share. The conversion premium is

- \$335
- \$215
- 66.74 shares
- 23.8 shares

**Question 5**

⌵ Test/Survey Status

The theoretical floor value for a convertible bond is its

- conversion price.

- conversion value.
- par value.
- pure bond value.

4 points

Save Answer

---

**Question 6**

4 points

Save Answer

The computation of basic earnings per share will include consideration of

- all convertible securities.
- only common shares outstanding.
- all shares outstanding and all convertible securities.
- only preferred shares outstanding.

---

**Question 7**

4 points

Save Answer

A disadvantage to the investor of a convertible bond is all of the following, EXCEPT that

- the stock price may never rise above conversion price.
- if interest rates rise, the pure bond value (floor price) will decline.
- the interest rate on convertibles is generally one-third below the coupon rate on straight bonds of similar risk.
- all bonds are callable at a specific price above par.

---

**Question 8**

4 points

Save Answer

A derivative is a financial instrument whose value is determined by

- a regulatory body such as the SEC.
- an underlying security
- futures and options
- the Securities Exchange Commission.

---

**Question 9**

4 points

Save Answer

Which contract is an option?

- a call
- a put
- a future
- both A and B are options.

Test Survey Status

---

**Question 10**

4 points [Save Answer](#)

The interest rate on convertibles is generally \_\_\_\_\_ the interest rate on similar nonconvertible instruments.

- greater than
- less than
- the same as
- at least twice

---

**Question 11**30 points [Save Answer](#)

The intrinsic value of a warrant to buy 5 shares of Jimmy Corp. stock at \$70 per share is \$25. What is the current market price of Jimmy Corp. stock? (Show your work/calculations/formulas).

Attach File

---

---

**Question 12**30 points [Save Answer](#)

When a corporation decides to sell its financial products within the marketplace, there is still underlying competition from others. Explain some of the factors found within the idea of "competition of funds".

Attach File

---

---

**Save and Submit**[Save All Answers](#)[Close Window](#)[Save and Submit](#)

---

[⌵ Test/Survey Status](#)