Question 1

|  |  |
| --- | --- |
|  | The primary role of organized security exchanges is to raise capital (money) for firms.  Answer |
| * TRUE * FALSE |

Question 2

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Question 2 text |  | | | |
|  | In an "underwriting" the investment banker guarantees the firm selling the securities a specified amount.  Answer   * TRUE   FALSE |  |  |  |
| Question 2 answers  T |  |  |  |

Question 3

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Question 3 text |  | | | |
|  | In a "best effort" sale of securities, the risk of the sale rests with the investment banker.  Answer |  |  |  |
| * Question 3 answers TRUE   FALSE |  |  |  |

Question 4

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Question 4 text |  | | | |
|  | The "syndicate's" role in an underwriting is to sell the new issue of securities.  Answer |  |  |  |
| Question 4 answers   * TRUE   FALSE |  |  |  |

Question 5

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Question 5 text |  | | | |
|  | The preliminary prospectus ("red herring") does not include the offer price of a new stock issue.  Answer |  |  |  |
| Question 5 answers   * TRUE   FALSE |  |  |  |

Question 6

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Question 6 text |  | | | |
|  | Which of the following is not a short-term, liquid asset?  Answer |  |  |  |
| * a. negotiable certificate of deposit * b. U.S. Treasury bills * c. corporate stock * d. commercial paper |  |  |  |

Question 7

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Question 7 text |  | | | |
|  | Money market mutual funds invest in   |  |  | | --- | --- | | 1. | commercial paper | | 2. | repurchase agreements | | 3. | corporate bonds | |  |  |   Answer |  |  |  |
| * a. 1 and 2 * b. 1 and 3 * c. 2 and 3 * d. All of these choices |  |  |  |

Question 8

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Question 8 text |  | | | |
|  | The deregulation of the banking system has  Answer |  |  |  |
| * a. increased the growth of money market mutual funds * b. resulted in lower interest rates * c. blurred distinctions among financial intermediaries * d. reduced the power of the SEC |  |  |  |

Question 9

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Question 9 text |  | | | |
|  | Commercial paper is  Answer |  |  |  |
| * a. a short-term unsecured debt of a corporation * b. a short-term secured debt of a corporation * c. a long-term unsecured debt of a corporation * d. a long-term secured debt of a corporation  |  |  | | --- | --- | |  |  | |  |  |  |

Question 10

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Question 10 text |  | | | |
|  | Which of the following does not have default risk?  Answer |  |  |  |
| Question 10 answers   1. money market mutual funds 2. commercial paper 3. negotiable certificates of deposit 4. treasury bills |  |  |  |