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 answersT |  |  |  |

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 hasAnswer |  |  |  |
| * 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 isAnswer |  |  |  |
| * 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 answers1. money market mutual funds
2. commercial paper
3. negotiable certificates of deposit
4. treasury bills
 |  |  |  |