

## 9899\_Ä°\_Æyani\_Yekun imtahan testinin sualları

### Fənn : 9899 Beynəlxalq maliyyə bazarları

1 \_\_\_\_\_ in the domestic interest rate causes the demand for domestic assets to increase and the domestic currency to \_\_\_\_\_, everything else held same.

- considerable increase; depreciate
- sufficient increase; appreciate
- considerable decrease; appreciate
- considerable decrease; depreciate
- None above

2 Environmental factors affecting international operations are as follows except \_\_\_\_.

- Foreign political aspect
- Internal-distance
- External-distance
- Foreign legal aspect
- Foreign social aspect

3 The balance of payments on current account does not include the following items

- None above
- Invisible trade items
- Merchandise exports
- Foreign Stocks and Bondss
- Current transfer items

4 The financial account in the balance of payments include the following \_\_\_\_

- all above
- foreign direct investment
- gold
- oil
- gas

5 Credit transactions in the balance of payments do not include \_\_\_\_.

- balance payments
- Exports of financial means
- Transfer receipts from foreign residents
- Investments and Interest Paid to Foreign Residents.
- earnings from interest

6 The most influential participant in the U.S. money market is

- none above
- are the large money center banks.
- the U.S. Treasury Department.
- is the Federal Reserve.
- are the investment banks that underwrite securities.

7 The Fed is an active participant in money markets mainly because of its responsibility to

- statement is not clear
- increase the interest income of retirees holding money market instruments.
- lower borrowing costs to encourage capital investment.
- to control the money supply
- assist the Securities and Exchange Commission in regulating the behavior other money market participants.

8 Financial intermediaries

- do nothing
- are involved in the process of indirect finance.
- exist because there are not substantial information and transaction costs in the economy.
- improve the lot of the small saver.
- do all of the above.

9 Which of the following is not one of the major groups that make up the balance of payments?

- receivablesaccount
- capital account
- financial account
- profit account.

current account

10 The accounting statement that summarizes all the economic transactions between a country's residents and foreign residents is called the balance of

- payment
- capital account
- financial account
- Official account
- current account

11 As the real value of the yen rises, the balance on Japan's current account demonstrate....

- increase
- stay same
- improve
- deteriorate
- change

12 If a country imposes tariffs on imported goods, then that country's balance of payments is

- probating
- changing
- decreasing
- improving
- staying same

13 If income tax rates were lowered, then

- only a and b of the above
- interest rate on Treasury bonds would rise.
- interest rate on municipal bonds would fall.
- trendly interest rate on municipal bonds would rise.
- price of Treasury bonds would fall.

14 If income tax rates rise, then

- bonds should be sold
- prices of Treasury bonds will rise.

- prices of municipal bonds will fall.
- Treasury bonds' rate will rise.
- interest rate on municipal bonds will rise.

15 An increase in marginal tax rates would likely have the effect of \_\_\_\_\_ the demand for municipal bonds and \_\_\_\_\_ the demand for U.S. government bonds.

- only a and b of the above
- decreasing; increasing
- increasing; increasing
- bill increasing; decreasing
- decreasing; decreasing

16 For a simple loan, the simple interest rate equals to

- insufficient information
- nominal interest rate
- a real interest rate
- time based yield
- a current yield.

17 For simple loans, the simple interest rate is \_\_\_\_\_ the yield to maturity effectively.

- equal to
- not comparable to
- less than
- greater than
- not accurately given

18 Which of the following \$1,000 face value securities has the highest yield to maturity?

- none above
- less than 10 percent coupon bond selling for \$1,000
- above 5 percent coupon bond selling for \$1,000
- more than 12 percent coupon bond selling for \$1,000
- below percent coupon bond selling for \$1,100

19 Which of the following \$1,000 face value securities has the highest yield to maturity?

- none above
- less than percent coupon bond selling for \$1,000
- below 5 percent coupon bond selling for \$1,000
- more than 15 percent coupon bond selling for \$900
- above 15 percent coupon bond selling for \$1,000

20 Treasury bills do not pay

- statement is not clear
- have a face amount.
- have a maturity date.
- pay interest.
- have an active secondary market.

21 The interest rate that financial economists consider to be the most accurate measure is the yearly:

- only a and b of the above
- the yield on a discount basis.
- a current yield.
- yield to maturity.
- coupon rate.

22 Financial economists consider the \_\_\_\_\_ to be the most accurate measure of interest rates on the basis of year.

- only a and b of the above
- discount rate
- simple interest rate
- yield to maturity
- real interest rate

23 For a simple loan, the simple interest rate equals to

- only a and b of the above
- nominal interest rate
- a real interest rate
- the yield to maturity.
- a current yield.

24 For simple loans, the simple interest rate is \_\_\_\_\_ the yield to maturity effectively.

- only a and b of the above
- less than
- greater than
- equal to
- not comparable to

25 Which of the following \$1 face value securities has the highest yield to maturity?

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- less than 10 percent coupon bond selling for \$1,000
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- more than 12 percent coupon bond selling for \$1,000
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- below 5 percent coupon bond selling for \$1,000
- more than 15 percent coupon bond selling for \$900
- above 15 percent coupon bond selling for \$1,000

27 Which of the following are true for a coupon bond, coupon bonds are?

- Only (a) and (b) of the above are true.
- The price of a coupon bond and the yield to maturity are negatively related.
- When the coupon bond is priced at its face value, the yield to maturity equals the coupon rate.
- All of the above are true.
- The yield to maturity is greater than the coupon rate when the bond price is below the par value.

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The yield to maturity is greater than the coupon rate when the bond price is above the par value.

29 Holding other things constant, an increase in the current account deficit of a country's balance of payments will

- increase the imports
- decrease the value of its currency
- increase the value of its currency
- weaken the value OF its currency
- not affect the value of its currency

30 Official reserve assets are composed of

- special gold
- EUR
- AZN
- US dollars
- ordinary gold

31 Two financial service firms and assign letter ratings to indicate the quality of sovereign-government bonds with long maturity

- Standard & Poor's and Citibank
- Dow Jones Company and Moody's Investor Service
- J.P. Morgan and Citibank
- Moody's Investor Service / Standard & Poor's
- Standard & Poor's and Dow Jones Company

32 The expected rate of return on a market portfolio is 15 percent. The riskless rate of interest is 7 percent. The beta of a company is 1.4. What is the required rate of return on this company's common equity?

- merely 33.2%
- less 22.2%
- bigger 19.2%
- equal 18.2%
- around 28.2%

33 Which of the following is not one of advantages for a flexible exchange rate system?

- Countries can maintain independent fiscal policy

- Flexible exchange rates permit a smooth adjustment to external shocks
- Countries can maintain independent fiscal policy
- stable sceptical rates under a flexible system are unstable
- Countries can maintain independent monetary policy

34 A country may link its exchange rate to the value of a major currency, often the US dollar. This is called

- account
- basket
- par
- currencyy peg
- budget

35 Equity and debt instruments with maturities greater than one year are called \_\_\_\_\_ market cures.

- municipal
- federal
- money
- capital
- government

36 According to the efficient markets hypothesis, the current price of a financial security

- none above
- is the discounted net present value of future interest payments
- is a result of high interest payment
- selects allavaiLable relevant information
- all above

37 Which of the following is not a characteristic of option contracts that trade on the Chicago Board Exchange Options?

- None of them
- It is easy to transfer the contracts between investors.
- The contracts are standardized.
- Option holders must take physical delivery of the underlying asset
- Writers of option are required to put up collateral.

38 A company wants to gather daily balance reporting from its international subsidiaries' bank accounts. Which of the following systems would allow



the company's bank to gather the balance positions from the local banks select?

- None of them
- Giros
- CHIPS
- SWIFT
- EDI

39 Which of the following actions will not close a long position in a call option board ?

- None of them
- Selling a call with the same strike price, expiration, and underlying asset.
- Exercising the call
- Buying a put with the same strike price, expiration, and underlying asset.
- Allowing the call to expire.

40 Which of the following strategies will be profitable if the price of the underlying asset is expected to decrease select

- All of them
- None of them
- Buying a call.
- Selling a call.
- Buying a call.

41 Which of the following investment strategies has unlimited profit potential?

- None of them
- Covered call.
- Bull spread.
- Protective put.
- Writing a call.

42 The futures markets have grown rapidly in recent years because

- trade deficit
- financial managers are more risk averse.
- interest rate volatility has increased.
- Both for interest rate volatility and financial manager risk averse

none of them

43 The risk that occurs because stock prices fluctuate is

- reinvestment risk.
- interest rate risk.
- credit risk
- default risk.
- stock market risk.

44 Futures differ from forwards because they are mainly

- None of them
- marked to market daily.
- used to hedge portfolios.
- used to hedge individual securities.
- used in both financial and foreign exchange markets.

45 If you sold a short contract on financial futures, you hope interest rates

- None of them
- are stable
- fall.
- rise.
- fluctuate.

46 The elimination of riskless profit opportunities in the futures market is referred to as

- mark to market.
- hedging.
- speculation
- arbitrage.
- open interest.

47 The purpose of the Commodity Futures Trading Commission is to do all of the following except

- None of them
- see that prices are not manipulated.

- approve proposed futures contracts.
- establish minimum prices for futures contracts.
- oversee futures trading.

48 Futures markets have grown rapidly as they are

- None of them
- have lower default risk.
- standardized.
- all of the above.
- liquid.

49 The seller of an option has the

- None of them
- right to exchange one payment stream for another.
- ability to reduce transaction risk.
- the obligation to buy or sell the underlying asset
- right to buy or sell the underlying asset.

50 An option that can be exercised at any time up to maturity is applied

- Call option
- stock option.
- European option.
- American option
- swap.

51 \_\_\_\_\_ occurs when market participants observe returns on a security that are larger than what is justified by the characteristics of that security and take action to quickly eliminate the unexploited profit opportunity- applied as

- none above
- loss
- profit
- arbitrage.
- gain

52 \_\_\_\_\_ is a process of bundling together smaller loans (like mortgages) into standard debt securities.

- default
- distribution
- origination
- securitization
- deflection

53 The growth of the subprime mortgage market led to

- additional demand for houses as the less credit-worthy borrowers could not obtain residential mortgages
- increased demand for houses as the less credit-worthy borrowers could not obtain residential mortgages
- decreased demand for houses as the less credit-worthy borrowers could not obtain residential mortgages
- Tracked demand for houses and helped fuel the boom in housing prices
- stable demand for houses as the less credit-worthy borrowers could not obtain residential mortgages

54 Which of the followings is an option which ensure the entrance into a swap?

- Contract
- Forward
- Resale
- Swaption
- Termination

55 Which of the followings is false?

- High risk brings to high return
- Equities have no maturity date
- Tenor is the length of the swap
- Forwards have no difference from futures
- Long position shows the buy position

56 Which of the followings is false?

- Long position shows the buy position
- Maturity date is the date of final payment
- Futures has the high counter party risk
- High risk brings to high return
- Tenor is the length of the swap

57 What is the term showing funds deposited before the trade to be identified?

- none above
- Settlement margin
- Variation margin
- Initial margin
- Maintenance margin

58 What is the meaning of the term tenor?

- Number of payments
- Interest rate
- Date of final payment
- Time to maturity
- Discount made

59 Which of the followings provides the payment with the choice of currency?

- T-bills
- Optional bond
- Dual- currency bond
- Currency option bond
- Long-term bond

60 Which of the followings shows a legal contract between bondholder and trustee?

- Foreign bond
- Negative covenant
- Affirmative covenant
- Trust deed
- Covenant

61 The theory of purchasing power parity says that

- all above
- rate and the inflation rate are identical
- interest rate and the inflation rate are identical
- the Exchange rate will adjust to reflect changes in the price levels of two countries

most foreign exchange dealers are speculators

62 If the Japanese yen was worth \$.0035 six months ago and is worth \$.0045 today, how much has the yen depreciated or appreciated?

- depreciated; about 44%
- increased; about 29%
- depreciated; about 29%
- appreciated; about 29%
- depreciated; about 44%

63 Which of the followings shows a coupon rate that increases on a schedule?

- Leveraged
- Deferred
- Credit-linked
- Step-up
- Payment-in-kind

64 Which of the followings shows a coupon rate that increases if the credit rating decreases and controversial?

- Leveraged
- Deferred
- Payment-in-kind
- Credit-linked
- Step-up

65 Which of the followings shows a coupon rate that makes it possible for the issuer to make payments by the increasing amount of principal?

- Leveraged
- Deferred
- Credit-linked
- Payment-in-kind
- Step-up

66 Which of the followings is lower when delivery is required?

- Gross margin
- Call margin

- Put margin
- Repo margin
- Bank margin

67 The..... assumes payments are made on dates of scheduled .

- Equivalent yield
- Market yield
- Government yield
- Street convention
- True yield

68 Which of the followings is used for calculating spread to benchmark bond yield of those issued by government?

- Equivalent yield
- True yield
- Market yield
- Government equivalent yield
- Street convention

69 The..... takes into the account holidays and weekends and uses actual payment times.

- Equivalent yield
- Government equivalent yield
- Market yield
- True yield
- Street convention

70 Which of the followings is an agreement of repurchase?

- Forward
- Swap
- Option
- Repo
- Future

71 Which of the followings ensures the conversion to common stock automatically if specified event contradicts?

- Future
- Puttable bond
- Warrant
- convertible
- Forward

72 The issuer of ..... may redeem bonds before maturity on scheduled date of call and at specified prices of call.

- Futures
- Options
- Warrants
- Callable bonds
- Forwards

73 Which of the followings is true?

- Covenant is a provision of a forward
- Call deed is the futures contract between trustee and bondholder
- Covenant is a provision of an option
- Trust deed is the legal contract between trustee and bondholder
- Call deed is the legal contract between trustee and bondholder

74 A forward rate is equal to a future spot rate if foreign exchange markets evaluated

- controlled
- commonly
- frequently
- efficiently
- inefficiently

75 A foreign exchange rate is \_\_\_\_.

- should not involve a single currency
- can not involve a single currency
- can involve a single currency
- is the price OF one currency expressed in terms of another currency.
- should involve a dual currency



76 Official reserve assets do not include additional

- United States Dollar
- special drawing rights
- British pound
- Algerian - Dinars
- convertible foreign exchange

77 The \_\_\_\_\_ states that exchange rates between any two currencies will adjust to reflect changes in the price levels countries of the two

- quantity theory of policy
- quantity theory of money
- law of one price
- theory OF purchasing power parity
- quality theory of money

78 According to the law of one price, if the price of Colombian coffee is 100 Colombian pesos per pound and the price of Brazilian coffee is 4 Brazilian reais per pound, then the exchange rate between the Brazilian real Colombian peso

- real 21
- real 33
- real 22
- peso 25
- real 44

79 Futures differ from forwards because they are mainly

- None of them
- used to hedge individual securities.
- used to hedge portfolios.
- marked to market daily.
- used in both financial and foreign exchange markets.

80 A sharp decline in the stock market means that the \_\_\_\_\_ of corporations has fallen making lenders \_\_\_\_\_ willing to lend

- All of them
- the liability, less
- net worth, more

- less; net worth
- the liability, more

81 When financial institutions go on a lending spree and expand their lending at a rapid pace they are participating in

- increase credit boom
- market race
- deleveraging
- credit bust
- All of them

82 When the value of loans begins to drop, the net worth of financial institutions falls causing them to cut back on lending in a process called

- All of them
- deflation
- the capitulation
- create deleveragingg
- inflation

83 When financial intermediaries deleverage, firms cannot fund investment opportunities resulting in

- All of them
- an increased opportunity for growth
- an economic boom
- is contraction of economic activityy
- decrease in uncertainty

84 If uncertainty about banks' health causes depositors to begin to withdraw their funds from banks, the country experiences

- All of them
- reduction of the adverse selection and moral hazard problems
- financial recovery
- enter banking crisis.
- increase in information available to investors

85 Debt deflation occurs when

- All of them

- lenders reduce their lending due to declining stock prices (equity deflation) that lowers the value of collateral
- corporations pay back their loans before the scheduled maturity date
- with an economic downturn causes the price level to fall and a deterioration in firms' net worth because of the increased burden of indebtedness.
- rising interest rates worsen adverse selection and moral hazard problems

86 A possible sequence for the three stages of a financial crisis in the U.S. might be \_\_\_\_\_ leads to \_\_\_\_\_ leads to \_\_\_\_\_.

- All of them
- banking crises, increase in interest rates, unanticipated decline in price level
- unanticipated decline in price level, banking crises, increase in interest rates
- the asset price declines; banking crises; unanticipated decline in price level
- banking crises, increase in uncertainty, increase in interest rates

87 \_\_\_\_\_ is a process of bundling together smaller loans (like mortgages) into standard debt securities.

- All of them
- Debt deflation
- Origination
- securitization
- Distribution

88 A \_\_\_\_\_ pays out cash flows from subprime mortgage-backed securities in different tranches, with the highest-rated tranche paying out first, while lower ones paid out less if there were losses on the mortgage-backed securities.

- All of them
- Negotiable CD
- Adjustable rate mortgage
- securitization
- Discount bond

89 The growth of the subprime mortgage market led to

- All of them
- a decrease in home ownership as investors chose other assets over housing
- a decline in the housing industry because of higher default risk
- the increased demand for houses and helped fuel the boom in housing prices
- decreased demand for houses as the less credit-worthy borrowers could not obtain residential mortgages

90 Mortgage brokers often did not make a strong effort to evaluate whether the borrower could pay off the loan. This created

- All of them
- decrease in the demand for houses
- decline in mortgage applications
- call severe adverse selection problem
- decrease in the supply of mortgage loans

91 When housing prices began to decline after their peak in 2006, many subprime borrowers found that their mortgages were "underwater." This meant

- All of them
- the roof leaked during a rainstorm
- the basement flooded since they could not afford to fix the leaky plumbing
- main value of the house fell below the amount of the mortgagee
- the amount that they owed on their mortgage was less than the value of their house

92 Which investment bank filed for bankruptcy on September 15, 2008 making it the largest bankruptcy filing in U.S. history?

- All of them
- Bear Stearns
- Merrill Lynch
- Lehman Brothers
- Goldman Sachs

93 Financial crises generally develop along two basic paths:

- All of them
- stock market declines and unanticipated declines in the value of the domestic currency
- stock market declines and severe fiscal imbalances
- pick mismanagement of financial liberalization/globalization and severe fiscal imbalances
- stock market declines and mismanagement of financial liberalization

94 The two key factors that trigger speculative attacks on emerging market currencies does

- low interest rates abroad and severe fiscal imbalances
- All of them
- low interest rates abroad and falling asset prices

- low interest rates abroad and rising asset prices
- deterioration in bank balance sheets/severe fiscal imbalances

95 Severe fiscal imbalances can directly trigger a currency crisis since

- All of them
- the government may have to cut back on spending
- the government may stop printing money
- some Investors fear that the government may not be able to pay back the debt and so begin to sell domestic currency
- the currency must surely increase in value

96 A sharp depreciation of the domestic currency after a currency crisis leads to

- All of them
- lower interest rates
- lower import prices
- the higher inflation.
- decrease in the value of foreign currency-denominated liabilities

97 Factors that led to worsening financial market conditions in East Asia in 1997-1998 include

- All of them
- a rise in interest rates in domestic country
- a rise in interest rates abroad
- increased uncertainty from political shocks
- weak supervision by bank regulators

98 If debt contracts are denominated in foreign currency, then an unanticipated decline in the value of the domestic currency results in

- All of them
- an increase in willingness to lend
- an increase in a firm's net worth
- is a decline in a firm's net worth.
- an increase loan supply

99 Factors that lead to worsening conditions in financial markets include that:

- All of them

- increases in bond prices
- unanticipated increases in the price level
- the deterioration in banks' balance sheets
- increase in stock prices

100 A bank panic can lead to a severe contraction in economic activity due as

- Non of them
- the losses of bank depositors
- the losses of bank shareholders
- a decline in lending for productive investment
- the losses in international trade

101 In emerging economies, government fiscal imbalances may cause fears of

- All of them
- Lower interest rates
- Stock price declines
- Over default on government debt
- Higher interest rates

102 Which of the following is not a function of a commercial bank in the foreign exchange market?

- All of them
- they extend credit
- they operate the payment mechanism
- mass determine exchange-rates
- they help reduce foreign exchange risk

103 Which of the following is not a characteristic of speculation

- All of them
- exchange rate fluctuation
- profit motive
- securitization
- risk taking

104 A US company is expected to receive £100,000 in 120 days. If the company wants to minimize the risk of foreign exchange, then it would .

- All of them
- was sell British pound forward.
- buy British pounds 120 days from now
- sell British pounds 120 days from now
- sell British pounds in the current spot market

105 Speculation in foreign exchange markets entails .

- All of them
- covering in the money market
- covering in the forward market
- easy buying in the current spot market /selling in the future spot market
- covering in the futures market

106 Foreign exchange markets are efficient if .

- All of them
- market information is secretive
- markets are highly regulated
- is good information is available at no / little cost
- most foreign exchange dealers are speculators

107 The theory of purchasing power parity says easy

- All of them
- the interest rate is greater than the inflation rate
- the interest rate and the inflation rate are identical
- Exchange rate will adjust to reflect changes in the price levels of two countries
- the inflation rate is greater than the interest rate

108 The Fisher Effect assumes that the .

- All of them
- nominal interest rate is equal to the inflation rate
- real interest rate is equal to the nominal interest rate
- the inflation rate is greater than the interest rate
- inflation rate is equal to the real interest rate

109 The theory of interest rate parity means that the .

- All of them
- future spot rate reflects the inflation difference between two countries
- spot rate reflects the inflation difference between two countries
- this difference between a Forward rate and a spot rate equals the difference between a domestic interest rate and a foreign interest rate
- interest rates are equal in two countries

110 A forward rate is equal to a future spot rate if foreign exchange markets are .

- Non of them
- controlled by speculators
- controlled by the government
- An Efficient
- inefficient

111 If the Canadian dollar is equal to \$.86 and the Brazilian real is equal to \$.28, what is the value of the Brazilian real in terms of Canadian dollars?

- All of them
- about 3 reals
- about 2 reals
- does about 1 reals
- about 4 reals

112 If the Japanese yen was worth \$.0035 six months ago and is worth \$.0045 today, how much has the yen appreciated or depreciated?

- All of them
- appreciated; about 45%
- appreciated; about 35%
- depreciated; about 29%
- appreciated; about 55%

113 If the expected inflation rate is 4% and the real required return is 5%, what is the nominal interest rate?

- All of them
- 0.12
- 0.11
- 9%



0.13

114 Foreign exchange markets are efficient if

- All of them
- transaction costs are high
- there are barriers of funds movement
- it exchange rates reflect all available information.
- there are arbitrage opportunities

115 Country analysis includes all of the below except:

- All of them
- Monetary policy
- Fiscal policy
- Early Ratio AnalySis
- Anticipated real growth

116 Steady state is defined as:

- Non of them
- the condition of decrease in capital per capita
- the condition of increase in capital per capita
- all condition of nochangE in capital per capita
- the condition of fluctuation in capital per capita

117 Herfindahl index:

- is amethod to measure concentratioN
- a ratio to evaluate equity return
- an indicator to analyze company
- the method to measure company's income
- All of them

118 Calculate the Debt to Equity Ratio given that Total Equity = \$587 and Total Debt = \$625.

- All of them
- 1.45

- 1.26
- 1,06
- 1.34

119 Calculate the Equity Multiplier given that Total Equity = \$1599 and Total Assets = \$2514.

- All of them
- 2.86
- 2.46
- 1,57
- 3.39

120 Calculate the Debt to Equity Ratio given that Total Equity = \$982 and Total Debt = \$629.

- All of them
- 1.65
- 1.53
- 0,64
- 1.04

121 Calculate the Quick Ratio given that Current Assets = \$1274, Inventory = \$646. and Current Liabilities = \$1420.

- All of them
- 0.57
- 0.68
- 0,44
- 0.87

122 Calculate the Equity Multiplier given that Total Equity = \$2557 and Total Assets = \$2884

- All of them
- 2.4
- 2.0
- 1,13
- 1.9

123 Return on total investment is a measure of \_\_\_\_\_.

- All of them
- Liquidity
- Solvency
- Over ProfitabilitY
- Activity

124 Calculate the Equity Multiplier given that Total Equity = \$1420 and Total Assets = \$2243.

- All of them
- 1.89
- 1.67
- 1,58
- 2.3

125 Calculate the Market to Book Ratio given that Total Equity = \$6791, Number of Shares Outstanding = 781 and the Stock Price = \$ 11

- All of them
- 2.5
- 1.98
- 1,27
- 3.12

126 Calculate the Profit Margin given that Net Income = \$111 and Sales = \$1116.

- All of them
- 11.35%
- 13.65%
- 9.95%
- 10.67%

127 Calculate the Market to Book Ratio given that Total Equity = \$2541, Number of Shares Outstanding = 1517 and the Stock Price = \$ 30.

- All of them
- 18.14
- 18.17
- 17.91
- 18.64

128 Calculate the Return on Equity (ROE) given that Net Income = \$655 and Total Owners' Equity = \$954.

- All of them
- 69.16%
- 69.02%
- 68.66%
- 69.34%

129 Calculate the Return on Equity (ROE) given that Net Income = \$166 and Total Owners' Equity = \$1241

- All of them
- 13.73%
- 14.16%
- 13.38%
- 13.75%

130 Which of the following is considered a profitability measure?

- Fixed asset turnover
- All of them
- Cash coverage ratio
- Price earnings ratio
- Mass Return on Assets

131 The major device for measuring the profitability of a firm over a defined period of time is the

- All of them
- Statement of cash flow
- Sources and uses of funds statement
- that income statement
- Balance sheet

132 The \_\_\_\_\_ does not represent continuing operations in any way, but is simply a snapshot of the total worth of a firm at a given point in time.

- All of them
- Loss statement
- Assets statement
- the Balance Sheet

Sources and uses of funds statement

133 \_\_\_\_\_ ratios measure the ability of a firm to earn an adequate return on sales, total assets and invested capital.

- All of them
- Debt utilization
- utilization
- create Profitability
- Asset utilization

134 The method of calculating return on assets which highlights the importance of sales, profit margin and asset turnover is known as

- Non of them
- the Gordon model
- the costs method
- analysis of DuPont
- the Altman model

135 The primary purpose of the liquidity ratios is to determine

- All of them
- the relative level of long term debt
- the relative level of short term debt
- does how well a firm is able to pay off short-term obligations.
- how much current assets is tied up in inventory

136 The major device that indicates what the firm owns and how these assets are financed in the form of liabilities or ownership interest:

- All of them
- the general ledger
- the statement of cash flows
- In Balance sheet
- the income statement

137 The primary sections of a statement of cash flows are:

- Non of them
- cash flows from investing, operating, financing, and accounting activities

- cash flows from investing, financing, and accounting activities
- activities cash flows from investing; operating, and financing activities
- cash flows from operating, financing, and accounting activities

138 Financial ratios are used to weigh and evaluate:

- All of them
- which stocks are about to file for bankruptcy
- the net present value of the company
- easy the operating performance /capital structure of the firm
- which stocks are the "gold mine" stocks when investing in the market

139 The type of ratio that allows the analyst to measure the ability of the firm to earn an adequate return on sales, total assets, and invested capital is:

- All of them
- asset utilization ratios
- debt utilization ratios
- Illegal profitability ratios
- liquidity ratios

140 If you buy a company's stock...

- All of them
- You are liable for the company's debts
- You cannot vote on shareholder resolutions
- Say you own a part of the company
- You have lent money to the company

141 If you buy a company's bond..

- All of them
- You risk is higher than shareholder's risk
- You own a part of the company
- Borrow have lent money to the company
- You can vote on shareholder resolutions

142 Which type of bond is the safest?

- All of them
- Commercial bond
- Municipal bond
- S.U. Treasury Bond
- AAA corporate bond

143 If a company files for bankruptcy, which of the following securities is most at risk of becoming virtually worthless?

- The company's assets
- With The company's common stock
- All of them
- The company's liabilities
- The company's bonds

144 Profitability ratios measure:

- All of them
- master the ability of the firm to earn an adequate return on sales, total assets, and invested capital
- the firm's ability to pay off long term obligations as they are due
- the debt position of the firm in light of its assets and earning power
- the firm's ability to pay off short term obligations as they are due

145 Asset utilization ratios measure:

- All of them
- which stocks are about to file for bankruptcy
- the net present value of the company
- master the speed at which the firm is turning over its assets.
- which stocks are the "gold mine" stocks when investing in the market

146 Liquidity ratios measure:

- All of them
- which stocks are about to file for bankruptcy
- the net present value of the company
- master the firm's ability to pay off short-term obligations as they are due.
- which stocks are the "gold mine" stocks when investing in the market

147 Debt utilization ratios measure:

- All of them
- which stocks are about to file for bankruptcy
- the net present value of the company
- master the firm's ability to pay off short -term obligations as they are due.
- which stocks are the "gold mine" stocks when investing in the market

148 Debt utilization ratios measure:

- All of them
- which stocks are about to file for bankruptcy
- the net present value of the company
- master the firm's ability to pay off short -term obligations as they are due.
- which stocks are the "gold mine" stocks when investing in the market

149 Return on assets is computed

- All of them
- Net income/current assets
- Net income/sales
- Create Net income/Total assets.
- Income before interest and taxes (EBIT)/total assets

150 Under the Du Pont method of analysis, return on total assets plus:

- All of them
- income before interest and taxes (EBIT)/total assets
- net income/total assets
- Profit margin times assets turnover
- net income/sales

151 Among the liquidity ratios, one would include:

- All of them
- capital asset turnover and total asset turnover
- receivables turnover and total asset turnover
- is current ratio /quick ratio



- receivables turnover and inventory turnover

152 All of the following are capital structure ratios except:

- All of them
- Total asset /total equity
- Net debt/ equity
- early Total debt/ Sales.
- Total debt / total assets

153 Financial ratios are used to:

- All of them
- determine which firm will provide the highest return to investors
- determine net present value of a company
- to weigh and evaluate the operating performance of the firm
- provide an absolute benchmark of industry performance

154 To the securities analyst, the most important ratio group is:

- All of them
- liquidity
- debt utilization
- In Profitability
- asset utilization

155 To the banker/creditor, the most important ratio group is:

- All of them
- profitability
- liability utilization
- in Liquidity
- asset utilization

156 To the bondholder, the most important ratio is:

- profit margin
- times interest earned

- in debt / total assets.
- All of them
- quick ratio

157 Which of the following affect the demand for sterling on the foreign exchange market?

- All of them
- A UK speculator buying shares on the New York Stock Exchange
- ICI (a UK firm) buying raw materials from overseas
- More Boeing (US aircraft manufacturer) buying engines from Rolls-Royce in the UK
- UK tourists going on holiday

158 Which of the following affect the supply of sterling on the foreign exchange market?

- All of them
- Boeing (US aircraft manufacturer) buying engines from Rolls Royce in the UK
- Overseas speculators investing on the UK Stock Exchange
- more ICI (aUK firm) buying raw materials from overseas.
- Overseas tourists visiting the UK

159 If the exchange rate was depreciating rapidly and the Bank of England wanted to intervene, then what would they do?

- All of them
- Build up foreign exchange reserves
- Increase government expenditure and cut taxation
- Done Buy sterling /sell other currencies from reserves.
- Sell sterling and buy other currencies

160 If there was an excess demand for sterling, which of the following would help prevent a significant appreciation of the currency over time in ?

- All of them
- The Bank of England selling foreign currency from reserves
- An increase in the interest rate
- Increased economic growth- leading to rapid import growth.
- The Bank of England purchasing sterling on the foreign exchange

161 A deferred call provision is which one of the probability?

- All of them
- issuer which prevents that issuer from ever redeeming bonds prior to maturity
- ability of a bond issuer to delay repaying a bond until after the maturity date should the issuer so opt
- prohibition which prevents bond issuers from redeeming callable bonds prior to a specified date
- The Bank of England purchasing sterling on the foreign exchange

162 A call-protected bond is a bond that:

- none of above
- can never be called.
- is callable at any time.
- time be called during a certain period of time.
- by laws.

163 The items included in an indenture that limit certain actions of the issuer in order to protect bondholder's interests are referred to as the probability:

- trustee relationships.
- legal bounds.
- conditions.
- protective covenants.
- by laws.

164 Which one of the following is the price a dealer will pay to purchase a bond?

- par value
- call price
- asked price
- bid price
- ask spread

165 You want to buy a bond from a dealer. Which one of the following prices will you pay?

- bid-ask spread
- auction price
- call price
- price asked
- bid price

166 The difference between the price that a dealer is willing to pay and the price at which he or she will sell is called the space:

- equilibrium.
- discount.
- call price.
- spread.
- premium.

167 The Fisher effect is defined as the relationship between which of the following variables?

- default risk premium, inflation risk premium, and real rates
- interest rate risk premium, real rates, and default risk premium
- real rates, interest rate risk premium, and nominal rates
- vast real rates, inflation rates, and nominal rates
- nominal rates, real rates, and interest rate risk premium

168 The pure time value of money is known as the:

- inflation factor.
- liquidity effect.
- Fisher effect.
- term structure of interest rates.
- interest rate factor.

169 A newly issued bond has a 7 percent coupon with semiannual interest payments. The bonds are currently priced at par value. The effective annual rate provided by these bonds must be:

- Answer cannot be determined from the information provided.
- greater than 3.5 percent but less than 7 percent.
- over 7 percent.
- be greater than 7 percent.
- over 3.5 percent.

170 The bonds issued by Stainless Tubs bear a 6 percent coupon, payable semiannually. The bonds mature in 11 years and have a \$1,000 face value. Currently, the bonds sell for \$989. What is the yield to maturity?

- 6.20 percent
- 5.92 percent

- 6.08 percent
- 5.87 percent
- 6.14 percent

171 Oil Well Supply offers 7.5 percent coupon bonds with semiannual payments and a yield to maturity of 7.68 percent. The bonds mature in 6 years. What is the market price per bond if the face value is \$1,000?

- \$1,013.48
- \$996.48
- \$991.47
- \$989.70
- \$1,002.60

172 Roadside Markets has a 6.75 percent coupon bond outstanding that matures in 10.5 years. The bond pays interest semiannually. What is the market price per bond if the face value is \$1,000 and the yield to maturity is 6.69 percent?

- \$1,007.52
- \$1,003.42
- \$999.85
- \$999.80
- \$1,004.47

173 Grand Adventure Properties offers a 9.5 percent coupon bond with annual payments. The yield to maturity is 11.2 percent and the maturity date is 11 years from today. What is the market price of this bond if the face value is \$1,000?

- \$953.30
- \$941.20
- \$896.67
- \$895.43
- \$946.18

174 Redesigned Computers has 5.25 percent coupon bonds outstanding with a current market price of \$546.19. The yield to maturity is 16.28 percent and the face value is \$1,000. Interest is paid semiannually. How many years is it until these bonds mature?

- 28.32 years
- 12.41 years
- 7.08 years
- 6.64 years

14.16 years

175 Global Communications has a 7 percent, semiannual coupon bond outstanding with a current market price of \$1,023.46. The bond has a par value of \$1,000 and a yield to maturity of 6.72 percent. How many years is it until this bond matures?

25.05 years

18.49 years

12.53 years

12.26 years

24.37 years

176 You are purchasing a 25-year, zero-coupon bond. The yield to maturity is 8.68 percent and the face value is \$1,000. What is the current market price?

\$128.47

\$119.52

\$108.18

\$106.67

\$121.50

177 Today, you want to sell a \$1,000 face value zero coupon bond you currently own. The bond matures in 4.5 years. How much will you receive for your bond if the market yield to maturity is currently 5.33 percent? Ignore any accrued interest.

\$789.22

\$741.08

\$698.09

\$696.60

\$756.14

178 The zero coupon bonds of D&L Movers have a market price of \$319.24, a face value of \$1,000, and a yield to maturity of 9.17 percent. How many years is it until these bonds mature?

13.47 years

12.73 years

12.28 years

11.92 years

13.01 years

179 A 16-year, 4.5 percent coupon bond pays interest annually. The bond has a face value of \$1,000. What is the percentage change in the price of this bond if the market yield to maturity rises to 5.7 percent from the current rate of 5.5 percent?

- 2.14 percent increase
- 2.14 percent decrease
- 1.97 percent decrease
- 0.21 percent increase
- 1.97 percent increase

180 The Corner Grocer has a 7-year, 6 percent annual coupon bond outstanding with a \$1,000 par value. The bond has a yield to maturity of 5.5 percent. Which one of the following statements is correct if the market yield suddenly increases to 6.5 percent?

- The bond price will increase by \$57.14.
- The bond price will increase by 5.29 percent.
- The bond price will decrease by \$53.62.
- Price will decrease by 5.43 percent.
- The bond price will decrease by 5.36 percent.

181 Blackwell bonds have a face value of \$1,000 and are currently quoted at 98.4. The bonds have a 5 percent coupon rate. What is the current yield on these bonds?

- 4.67 percent
- 5.33 percent
- 5.08 percent
- 4.78 percent
- 5.54 percent

182 The 7 percent, semi-annual coupon bonds offered by House Renovators are callable in 2 years at \$1,054. What is the amount of the call premium on a \$1,000 par value bond?

- \$89
- \$72
- \$54
- \$52
- \$84

183 The outstanding bonds of The River Front Ferry carry a 6.5 percent coupon. The bonds have a face value of \$1,000 and are currently quoted at 101.6. What is the current yield on these bonds?

- 6.88 percent
- 6.40 percent
- 2.37 percent
- 1.60 percent
- 6.49 percent

184 A corporate bond was quoted yesterday at 102.16 while today's quote is 102.19. What is the change in the value of a bond that has a face value of \$6,000?

- \$180.00
- \$3.00
- \$1.80
- \$0.30
- \$18.00

185 A bond is quoted at a price of \$989. This price is referred to as which one of the following?

- wholesale price
- clean price
- call price
- face value
- dirty price

186 Pete paid \$1,032 as his total cost of purchasing a bond. This price is referred to as dry:

- call price.
- spread price.
- clean price.
- dirty price.
- quoted price.

187 Real rates are defined as nominal rates that have been adjusted for which of the following information?

- both inflation and interest rate risk
- accrued interest
- default risk
- inflation
- rate risk



188 Interest rates that include an inflation premium are referred to as:

- nominal rates.
- effective annual rates.
- stripped rates.
- annual percentage rates.
- real rates.

189 Greenbrier Industrial Products' bonds have a 7.60 percent coupon and pay interest annually. The face value is \$1,000 and the current market price is \$1,062.50 per bond. The bonds mature in 16 years. What is the yield to maturity?

- 7.80percent
- 7.46percent
- 7.22percent
- 6.94percent
- 7.71percent

190 Collingwood Homes has a bond issue outstanding that pays an 8.5 percent coupon and matures in 18.5 years. The bonds have a par value of \$1,000 and a market price of \$964.20. Interest is paid semiannually. What is the yield to maturity?

- 8.90 percent
- 8.61 percent
- 8.42 percent
- 8.36 percent
- 8.74 percent

191 A 10-year, 4.5 percent, semiannual coupon bond issued by Tyler Rentals has a \$1,000 face value. The bond is currently quoted at 98.7. What is the clean price of this bond if the next interest payment will occur 2 months from today?

- \$1,022.50
- \$1,002.00
- \$994.50
- \$987.00
- \$1,011.25

192 A Treasury bond is quoted at a price of 105:15. What is the market price of this bond if the face value is

- \$5,515.00

- \$5,257.50
- \$5,105.15
- \$5,005.15
- \$5,273.44

193 A Treasury bond is quoted at a price of 101:14 with a current yield of 7.236 percent. What is the coupon rate?

- 7.34 percent
- 7.30 percent
- 7.28 percent
- 7.20 percent
- 7.39 percent

194 A corporate bond is quoted at a price of 103.16 and carries a 6.50 percent coupon. The bond pays interest semiannually. What is the current yield on one of these bonds?

- 6.30 percent
- 6.66 percent
- 6.62 percent
- 6.36 percent
- 6.24 percent

195 A Treasury bond is quoted at a price of 106:23 with a 3.50 percent coupon. The bond pays interest semiannually. What is the current yield on one of these bonds?

- 3.28 percent
- 3.33 percent
- 3.19 percent
- 3.06 percent
- 3.38 percent

196 A Treasury bond is quoted as 99:11 asked and 99:09 bid. What is the bid-ask spread in dollars on a \$5,000 face value bond?

- \$6.25
- \$1.00
- \$0.63
- \$0.03
- \$3.13

197 The semiannual, 8-year bonds of Alto Music are selling at par and have an effective annual yield of 8.6285 percent. What is the amount of each interest payment if the face value of the bonds is \$1,000?

- \$86.29
- \$43.15
- \$42.25
- \$41.50
- \$85.00

198 A bond that pays interest annually yielded 7.47 percent last year. The inflation rate for the same period was 6.10 percent. What was the actual real rate of return on this bond for last year?

- 1.41 percent
- 1.29 percent
- 1.25 percent
- 1.19 percent
- 1.36 percent

199 Getty Markets has bonds outstanding that pay a 5 percent semiannual coupon, have a 5.28 percent yield to maturity, and a face value of \$1,000. The current rate of inflation is 4.1 percent. What is the real rate of return on these bonds?

- 1.19 percent
- 1.04 percent
- 0.90 percent
- 0.86 percent
- 1.13 percent

200 The outstanding bonds of Winter Time Products provide a real rate of return of 3.03 percent. The current rate of inflation is 4.68 percent. What is the actual nominal rate of return on these bonds?

- 7.85 percent
- 7.71 percent
- 7.58 percent
- 7.33 percent
- 7.76 percent

201 The yield to maturity on a bond is currently 8.46 percent. The real rate of return is 3.22 percent. What is the rate of inflation?

- 6.71 percent
- 6.24 percent
- 5.64 percent
- 5.08 percent
- 6.53 percent

202 A zero coupon bond with a face value of \$1,000 is issued with an initial price of \$212.56. The bond matures in 25 years. What is the implicit interest, in dollars, for the first year of the bond's life?

- \$15.89
- \$13.90
- \$13.58
- \$12.72
- \$15.63

203 Suppose you deposit \$1,000 in an account today that pays 5% interest, compounded annually. What will be the balance in the account at the end of two years if you withdraw only the interest paid on interest?

- none of above
- \$1,100.00
- \$1,050.00
- \$1,000.00
- \$1,102.50

204 If I deposit \$200 in an account that pays 5% interest, compounded annually, what will be the balance in the account at the end of ten years if I make no withdrawals?

- none of above
- \$200.00
- \$300.00
- \$325.78
- \$345.60

205 How much must you deposit in an account today so that you have a balance of \$1,000 at the end of five years if interest on the account is 4%, compounded quarterly?

- none of above
- \$821.93

- \$820.35
- \$819.54
- \$901.45

206 Suppose you are offered an investment on January 1, 1996 with the following promised cash flows:

- none of above
- June 30, 1997
- December 31, 1996
- Further June 30, 1996
- December 31, 1997

207 If you require a 6% annual percentage rate (APR) on your investments, what is the most you will be willing to pay for this investment?

- none of above
- \$1,000
- \$981
- \$879
- \$900

208 Suppose you are offered an investment on January 1, 1994 with the following promised cash flows:

- June 30, 1995
- Further June 30, 1994
- none of above
- December 31, 1995
- December 31, 1994

209 If you require a 6% annual percentage rate (APR) on your investments, what is the most you will be willing to pay for this investment?

- none of above
- \$1,074
- \$1,030
- \$965
- \$1,200

210 If you deposit \$1,000 each year, starting today, in an account that pays 10% interest per year, compounded annually, what will be the balance in the account after you have made ten payments, assuming you make no withdrawals from the account?

- none of above
- \$17,531
- \$15,937
- \$10,000
- \$13,224

211 If you deposit \$1 per month in an account that pays 12% interest, compounded monthly, what will be the balance in the account after two years if you make no withdrawals?

- none of above
- \$26
- \$24
- \$1
- \$118

212 If you deposit \$100 in an account each quarter for two years, beginning next quarter, what will be the balance in the account at the end of two years if interest is 12%, compounded quarterly if you make no withdrawals?

- none of above
- \$921
- \$889
- \$800
- \$1,230

213 The effective annual rate (EAR) is equal to the annual percentage rate (APR) when:

- none of above
- interest is compounded daily.
- interest is continuously compounded.
- webinterest is compounded annually.
- interest is compounded quarterly.

214 In 1950, Jack-in-the-Box hamburger cost 24. In 1994, a Jack-in-the-Box hamburger cost 79. What is the effective annual increase in the price of a Jack-in-the-Box hamburger from 1950 to 1994?

- 229.17%
- 17.24%
- 5.54%

- 2.74%
- 33.00%

215 What is the effective annual rate that corresponds to a 9% annual percentage rate if interest is continuously compounded?

- none of above
- 9.42%
- 9.38%
- 9.00%
- 9.50%

216 What is the effective annual rate that corresponds to a 12% annual percentage rate if interest is continuously compounded?

- none of above
- 12.75%
- 12.68%
- 12.00%
- 12.83%

217 The Cost U Loan Company is willing to lend you \$1,000 today. The loan is to be paid off in twenty equal annual installments of \$100 each, beginning today. What is the effective annual rate (EAR) of borrowing from Cost U Loan Company?

- none of above
- IRR
- Put
- Call
- EAR

218 The Cost U Loan Company is willing to lend you \$1,000 today. The loan is to be paid off in twenty equal annual installments of \$100 each, beginning one year from today. What is the effective annual rate (EAR) of borrowing from Cost U Loan Company?

- none of above
- IRR
- Put
- Call
- EAR

219 The Milken Company is offering you an investment that promises you \$1,000 at the end of ten years if you invest \$500 today. What is the annual

return on this investment?

- none of above
- 10.0%
- 7.2%
- 0.0%
- 100.0%

220 At an interest rate of 6%, compounded annually, how long does it take a given sum to triple in value?

- none of above
- 19 years
- 18 years
- 17 years
- 20 years

221 At an interest rate of 8%, compounded semi-annually, how long does it take a given sum to triple in value?

- none of above
- 28 years
- 15 years
- 14 years
- 29 years

222 Assume you are an American exporter and expect to receive 50 pounds sterling at the end of 60 days. You can remove the risk of loss due to a devaluation of the pound sterling by:

- none of above
- Selling the dollar equivalent in the forward market for 60-day delivery
- Selling sterling in the forward market for 60-day delivery
- Buying sterling now and selling it at the end of 60 days
- Keeping the sterling in Britain after it is delivered to you

223 Which of the following tends to cause the U.S. dollar to appreciate in value?

- none of above
- A fall in U.S. interest rates below foreign levels
- Rapid economic growth in foreign countries



- Value increase in U.S. prices above foreign prices
- An increase in the level of U.S. income

224 Concerning the covering of exchange market risks—assuming that a depreciation of the domestic currency is anticipated, one can say that there is an incentive for:

- none of above
- Both exporters and importers to rush to cover their future needs
- Importers to rush to cover their future needs
- Free Exporters to rush to cover their future needs
- Neither exporters nor importers to rush to cover their future needs

225 When short-term interest rates become lower in Tokyo than in New York, interest arbitrage operations will most likely result in a (an):

- none of above
- Sale of dollars in the forward market
- Increase in the forward price of the dollar
- An Increase in the spot price of the yen
- Purchase of yen in the spot market

226 An appreciation in the value of the U.S. dollar against the British pound would tend to:

- none of above
- Increase the number of dollars that could be bought with a pound
- Discourage Americans from buying British goods
- Time discourage the British from buying American goods
- Discourage U.S. tourists from traveling to Britain

227 Concerning the foreign exchange market, one can best say that:

- none of above
- Most foreign exchange payments are made with bank notes
- Market is highly centralized like the stock exchange
- There is a spot market for virtually every currency in the world
- Values of the forward and spot rates are always in agreement

228 Suppose researchers discover that Swiss beer causes cancer when given in large amounts to British mice. This finding would likely result in a (an):

- none of above
- Increase in the supply of Swiss francs
- Decrease in the demand for Swiss francs
- An increase in the demand for Swiss francs
- Decrease in the supply of Swiss francs

229 Suppose that real incomes increase more rapidly in the United States than in Mexico. In the United States, this situation would likely result in a (an):

- none of above
- Increase in the supply of pesos
- Decrease in the demand for pesos
- An increase in the demand for pesos
- Decrease in the supply of pesos

230 A depreciation of the dollar refers to a (an):

- A fall in the dollar price of foreign currency
- Increase in the dollar price of foreign currency
- Loss of foreign-exchange reserves for the U.S.
- Intervention in the international money market
- none of above

231 If Canadian speculators believed the Swiss franc was going to appreciate against the U.S. dollar, they would:

- none of above
- Purchase Swiss francs
- Purchase U.S. dollars
- World Purchase Canadian dollars
- Sell Swiss francs

232 A major difference between the spot market and the forward market is that the spot market deals with:

- None of the above
- Hedging of international currency risks
- Currencies traded for future delivery
- With immediate delivery of currencies
- The merchandise trade account

233 The exchange rate is kept the same in all parts of the market by:

- None of the above
- Hedging
- Forward cover
- But exchange arbitrage
- Exchange speculation

234 If you have a commitment to pay a friend in Britain 1,000 pounds in 30 days, you could remove the risk of loss due to the appreciation of the pound by:

- None of the above
- Selling dollars in the forward market for delivery in 30 days
- Dollars buying in the forward market for delivery in 30 days
- Buying the pounds in the forward market for delivery in 30 days
- Selling the pounds in the forward market for delivery in 30 days

235 An increase in the dollar price of other currencies tends to cause:

- None of the above
- Foreign goods to be more expensive to residents of foreign nations
- U.S. goods to be more expensive than foreign goods
- Currently U.S. goods to be cheaper than foreign goods
- Foreign goods to be cheaper to residents of the United States

236 The balance on merchandise trade:

- None of the above
- Must be positive
- Must be negative
- Totally may be negative, positive, or zero
- Must be zero

237 Which of the following would not induce the U.S. demand curve for foreign exchange to shift backward to the left?

- None of the above
- Decreasing interest rates in the U.S. compared to those overseas
- Worsening American tastes for goods produced overseas

- Like a depreciation in the U.S. dollar against foreign currencies
- A fall in the level of U.S. income

238 A U.S. export company scheduled to receive 1 million pounds six months from today can hedge its foreign exchange risk by:

- None of the above
- the Buying 1 million pounds in the spot market for delivery in six months
- Today buying 1 million pounds in the forward market for delivery in six months
- But selling today 1 million pounds in the forward market for delivery in six months
- Selling 1 million pounds in the spot market for delivery in six months

239 Over time, a depreciation in the value of a nations currency in the foreign exchange market will result in:

- None of the above
- Both imports and exports rising
- Rising import and exports falling
- Initially exports rising and imports falling
- Both imports and exports falling

240 Grain shortages in countries that buy large amounts of grain from the United States would increase the demand for American grain and:

- None of the above
- Reduce the supply of dollars
- Reduce the demand for dollars
- An increase the demand for dollars
- Increase the supply of dollars

241 Suppose the exchange rate between the Japanese yen and the U.S. dollar is 100 yen per dollar. A Japanese stereo with a price of 60,000 yen will cost:

- None of the above
- \$6,000
- \$600
- \$60
- None of the above

242 The supply of foreign currency may be necessarily:

- Horizontal
- Backward-sloping
- Upward-sloping
- None of the above
- Vertical

243 Suppose that a Swiss watch that costs 400 francs in Switzerland costs \$200 in the United States. The exchange rate between the franc and the dollar is:

- 2 francs per dollar
- None of the above
- \$3 per franc
- \$2 per franc
- 1 franc per dollar

244 Under a system of floating exchange rates, the Swiss franc would depreciate in value if which of the following occurs?

- None of the above
- An increase in U.S. real income
- Price inflation in France
- On falling interest rates in Switzerland
- A decrease in the Swiss money supply

245 A depreciation of the dollar will have its most pronounced impact on imports if the demand for imports is:

- None of the above
- Elastic
- Constant
- Inelastic
- Unitary elastic

246 During the era of dollar appreciation, from 1981 to 1985, a main reason why the dollar did not fall in value was:

- None of the above
- A substantial decrease in U.S. imports
- Rising price inflation in the United States
- With flows of foreign investment into the United States
- A substantial increase in U.S. exports

247 Which financial instrument provides a buyer the right to purchase or sell a fixed amount of currency at a prearranged price, within a few days to a couple of years?

- None of the above
- Cable transfer
- Letter of credit
- Yes foreign currency option
- Bill of exchange

248 Given the foreign currency market for the Swiss franc, the supply of francs slopes upward, because as the dollar price of the franc rises:

- None of the above
- Americas demand for Swiss merchandise falls
- Americas demand for Swiss merchandise rises
- Rising of Switzerland's demand for American merchandise
- Switzerland's demand for American merchandise falls

249 In a supply-and-demand diagram for Japanese yen, with the exchange rate in dollars per yen on the vertical axis, the demand schedule for yen is drawn sloping:

- None of the above
- Vertical
- Upward
- Slightly downward
- Horizontal

250 Suppose there occurs an increase in the Canadian demand for Japanese computers. This results in:

- None of the above
- An increase in the supply of yen to Canada
- A decrease in the demand for yen
- Increase in the demand for yen
- A decrease in the supply of yen to Canada

251 Which method of trading currencies involves the conversion of one currency into another at one point in time with an agreement to reconvert it back to the original currency at some point in the future significantly ?

- None of the above

- Futures transaction
- Forward transaction
- Swap transaction
- Transaction of spot

252 Most foreign exchange trading occurs between banks and:

- None of the above
- Corporations
- National governments
- Absolutely other banks
- Household investors

253 The most important (in terms of dollar value) type of foreign exchange transaction by U.S. banks is the:

- None of the above
- Transaction of spot
- Forward transaction
- Swap transaction
- Option transaction

254 In the interbank market for foreign exchange, the \_\_\_\_\_ refers to the price that a bank is willing to pay for a unit of foreign currency by.

- None of the above
- Spread rate
- Offer rate
- Bid rate
- Transaction rate

255 In the interbank market for foreign exchange, the \_\_\_\_\_ refers to the price for which a bank is willing to sell a unit of foreign currency on.

- None of the above
- Futures rate
- Rate of option
- Offer rate
- Bid rate

256 In the interbank market for foreign exchange, the \_\_\_\_\_ refers to the difference between the offer rate and the bid rate slightly.

- None of the above
- Option
- Cross rate
- Spread
- Arbitrage

257 A corporation dealing in foreign exchange may desire to obtain an exchange quote between the pound and franc, whose values are both expressed relative to the dollar. \_\_\_\_\_ are used to determine such a relationship.

- None of the above
- Forward exchange rates
- Spot exchange rates
- Rates of cross exchange
- Option exchange rates

258 Suppose the exchange value of the British pound is \$2 per pound while the exchange value of the Swiss franc is 50 cents per pound. The cross exchange rate between the pound and the franc is:

- None of the above
- 3 francs per pound
- 2 francs per pound
- 1 franc per pound
- 4 francs per pound

259 By investing in U.K. treasury bills rather than U.S. treasury bills, and not covering exchange rate risk, U.S. investors earn an extra return of:

- None of the above
- 4 percent per year, 2 percent for the 6 months
- 4 percent per year, 1 percent for the 6 months
- 2 percent per year, 0.5 percent for the 6 months
- 5 percent per year, 1 percent for the 6 months

260 If the price of the 6-month forward pound were to \_\_\_\_\_, U.S. investors would no longer earn an extra return by shifting funds to the United Kingdom.

- None of the above
- \$1.53
- \$1.52



- \$1.47
- \$1.48

261 A (an) \_\_\_\_\_ is an arrangement by which two parties exchange one currency for another and agree that the exchange will be reversed at a stipulated date in the future shown.

- None of the above
- Option
- Arbitrage
- Swap
- Hedge

262 What is the model called that determines the present value of a stock based on its next annual dividend, the dividend growth rate, and the applicable rate of discount ?

- the discounted dividend
- capital pricing
- Zero growth
- Dividend growth
- earnings capitalization

263 Which one of the following is computed by dividing next year's annual dividend by the current stock price does?

- growth rate
- yield to maturity
- total yield
- dividend yield
- capital gains yield

264 Which one of following is the rate at which a stock's price is expected to appreciate?

- coupon rate
- total return
- current yield
- a capital gains yield
- dividend yield

265 Which one of the following types of stock is defined by the fact that it receives no preferential treatment in respect to either dividends or

bankruptcy proceedings annually?

- dual class
- non-cumulative
- cumulative
- a common
- preferred

266 You cannot attend the shareholder's meeting for Alpha United so you authorize another shareholder to vote on your behalf. What is the granting of this authority called vote?

- voting by proxy
- straight voting
- cumulative voting
- altering
- indenture agreement

267 What are the distributions to shareholders by a corporation called does?

- a diluted profits
- dividends
- retained earnings
- net income
- capital payments

268 Which one of the following is a type of equity security that has a fixed dividend and a priority status over other equity securities proxy?

- common stock
- debenture
- senior bond
- preferred stock
- warrant

269 Callander Enterprises stock is listed on NASDAQ. The firm is planning to issue some new equity shares for sale to the general public. This sale will occur in which one of the following markets?

- secondary
- auction

- private
- mainly primary
- exchange floor

270 The secondary market is best defined by which one of the following?

- market where warrants are offered and sold
- market conducted solely by brokers
- market in which subordinated shares are issued and resold
- fixed market where outstanding shares of stock are resold
- market dominated by dealers

271 An agent who maintains an inventory from which he or she buys and sells securities is called definitely:

- capitalist
- trader
- broker
- dealer
- principal

272 An agent who arranges a transaction between a buyer and a seller of equity securities is called by:

- dealer
- principal
- floor trader.
- broker
- capitalist

273 The owner of one of the 1,366 trading licenses for the NYSE is called mainly:

- dealer
- agent
- broker
- member
- specialist

274 The person on the floor of the NYSE who executes buy and sell orders on behalf of customers is called a(n):

- executor
- dealer
- floor trader
- a commission broker
- specialist

275 A market maker who acts as a dealer in one or more securities on the floor of the NYSE is called slightly:

- a commission broker
- dealer
- floor trader
- specialist
- executor

276 A floor broker on the NYSE does which one of the following essentially?

- is charged with maintaining a liquid, orderly market
- trades for his or her personal inventory
- supervises the commission brokers for a financial firm
- executes orders on behalf of a commission broker
- maintains an inventory and takes the role of a specialist

277 An individual on the floor of the NYSE who owns a trading license and buys and sells for his or her personal account is called a:

- floor broker
- dealer
- specialist
- a floor trader
- executor

278 Which one of the following is the electronic system used by the NYSE for directly transmitting orders to specialists?

- Floomet
- Instinet
- OTCBOT
- SuperDOT
- Internet

279 The stream of customer orders coming in to the NYSE trading floor is called on:

- paper trail
- commission trail
- bid-ask spread
- trading volume
- order flow

280 The counter area on the floor of the NYSE where a specialist operates is called a:

- DOT
- hot spot
- pit
- a post
- seat

281 A securities market primarily comprised of dealers who buy and sell for their own inventories is referred to which type of market on?

- electronic network
- private
- auction
- over-the-counter
- regional

282 An ECN is best described as:

- computerized network used by independent brokers
- the network used in the primary market for selling newly issued shares
- electronic network which transmits orders directly to the floor of the NYSE
- a website that allows individual investors to trade directly with one another
- the international trading network of the NYSE

283 National Trucking has paid an annual dividend of \$1.00 per share on its common stock for the past fifteen years and is expected to continue paying a dollar a share long into the future. Given this, one share of the firm's stock is:

- worth \$1 a share in the current market.
- equal in value to the present value of \$1 paid one year from today.
- basically worthless as it offers no growth potential.

- is priced the same as a \$1 perpetuity.
- valued at an assumed growth rate of one percent.

284 Which one of the following is an underlying assumption of the dividend growth model?

- The dividend growth rate is inversely related to a stock's market price.
- A stock's value changes in direct relation to the required return.
- A stock has the same value to every investor.
- Mainly stock's value is equal to the discounted present value of the future cash flows which it generates.
- Stocks that pay the same annual dividend have equal market values.

285 Answer this question based on the dividend growth model. If you expect the market rate of return to increase across the board on all equity securities, then you should also expect:

- dividend-paying stocks to increase in price while non-dividend paying stocks decrease in value.
- all stock values to remain constant.
- an increase in all stock values.
- effectively decrease in all stock values.
- dividend-paying stocks to maintain a constant price while non-dividend paying stocks decrease in value.

286 Which one of the following statements is correct concerning the two-stage dividend growth model?

- $R$  must be less than  $G_1$  but greater than  $G_2$ .
- $P_t = D_t/R$ .
- $G_1$  cannot be negative.
- mainly  $G_1$  can be greater than  $R$ .
- $G_1$  must be greater than  $G_2$ .

287 Which one of the following statements is correct?

- An increase in the required return will decrease the capital gains yield.
- A constant dividend stock cannot be valued using the dividend growth model.
- Preferred stocks have constant growth dividends.
- Capital gains yield is the annual rate of change in a stock's price.
- The dividend growth model can be used to compute the current value of any stock.

288 Supernormal growth is a growth rate that:

- applies to a single, abnormal year.
- exceeds a firm's previous year's rate of growth.
- is both positive and follows a year or more of negative growth.
- the unsustainable over the long term.
- is generally constant for an infinite period of time.

289 Which one of the following represents the capital gains yield as used in the dividend growth model?

- $g/P_0$
- $D_1/P_0$
- $D_1$
- must  $g$
- $P_0$

290 Winston Co. has a dividend-paying stock with a total return for the year of -6.5 percent. Which one of the following must be true?

- Firm is experiencing supernormal growth.
- Dividend yield must be zero.
- Dividend must be constant.
- The stock has a negative capital gains yield.
- Required rate of return for this stock increased over the year.

291 The two-stage dividend growth model evaluates the current price of a stock based on the assumption a stock will:

- pay increasing dividends for a fixed period of time, cease paying dividends for a period of time, and then commence paying increasing dividends for an indefinite period of time.
- increase the dividend amount every other year.
- pay an increasing dividend for a period of time and then cease paying dividends altogether.
- will grow at a fixed rate for a period of time after which it will grow at a different rate indefinitely.
- pay a constant dividend for the first two quarters of each year and then increase the dividend the last two quarters of each year.

292 Which one of the following sets of dividend payments best meets the definition of two-stage growth as it applies to the two-stage dividend growth model?

- \$1 per share annual dividend for 2 years, then \$1.25 annual dividends forever
- must dividend payments which increase by 10 percent per year for 5 years followed by dividends which increase by 3 percent annually thereafter
- dividends payments which increase by 2, 3, and 4 percent respectively for 3 years followed by a constant dividend thereafter
- decreasing dividends for 6 years followed by one final liquidating dividend payment

- no dividends for 5 years, then increasing dividends forever

293 Which one of the following rights is never directly granted to all shareholders of a publicly-held corporation?

- having first chance to purchase any new equity shares that may be offered
- receiving a distribution of company profits
- electing the board of directors
- common determining the amount of the dividend to be paid per share
- voting either for or against a proposed merger or acquisition

294 Boston Free Press has a dividend policy whereby the firm pays a constant annual dividend of \$2.40 per share of common stock. The firm has 1,000 shares of stock outstanding. The company:

- has a liability that must be paid at a later date should the company miss paying an annual dividend payment.
- is obligated to pay \$2.40 per share each year in perpetuity.
- must always show a current liability of \$2,400, ( $\$2.40 \times 1,000$ ), for dividends payable.
- can still declare each dividend before it becomes an actual company liability.
- will be declared in default if it does not pay at least \$2.40 per share per year on a timely basis.

295 Which one of the following statements related to corporate dividends is correct?

- The Chief Financial Officer of a corporation determines the amount of dividend to be paid.
- Dividends reduce the taxable income of the corporation.
- Dividends are nontaxable income to shareholders.
- Corporate shareholders may receive a tax break on a portion of their dividend income.
- The Chief Executive Officer of a corporation is responsible for declaring dividends.

296 Which one of these statements related to preferred stock is correct?

- Preferred stock normally has a stated liquidating value of \$1,000 per share.
- Preferred shareholders determine the outcome of any election that involves a proxy fight.
- Preferred shareholders normally receive one vote per share of stock owned.
- Cumulative preferred shares are more valuable than comparable non-cumulative shares.
- Preferred shareholders are considered to be the residual owners of a corporation.

297 Which of the following features do preferred shareholders and bondholders frequently have in common? I. lack of voting rights II. conversion option into common stock III. annuity payments IV. fixed liquidation value



- I, III, and IV only
- III and IV only
- I and II only
- commonly I, II, III, and IV
- II, III, and IV only

298 Which of the following apply to a specialist who trades on the floor of the NYSE? I. provides liquidity for an individual security II. partially being replaced by SuperDOT III. pays an annual fee for a trading license IV. acts as a dealer

- I, II, III, and IV
- II and IV only
- I and III only
- now I, III, and IV only
- II, III, and IV only

299 Which one of the following statements related to the NYSE is correct?

- Floor brokers earn income in the form of a bid-ask spread.
- Specialists buy at the asked price.
- Shareholders of NYSE Group, Inc. own "seats" on the exchange.
- Commission brokers work on behalf of brokerage firm clients.
- The NYSE is primarily a dealer's market.

300 Which one of the following transactions occurs in the primary market a?

- IBM's purchase of GE stock
- gift of 100 shares of stock to a charitable organization
- purchase of 500 shares of GE stock from a current shareholder
- a purchase of newly issued stock from AT&T
- gift of 200 shares of stock by a mother to her daughter

301 Which one of the following statements currently applies to a NYSE broker must?

- trades for his or her personal account
- buys at the bid price
- owns a "seat" on the exchange
- matches customer buy and sell orders
- remains at his or her specified post

302 \_\_\_\_\_ in the domestic interest rate causes the demand for domestic assets to increase and the domestic currency to \_\_\_\_\_, everything else held same.

- None above
- considerable decrease; depreciate
- considerable decrease; appreciate
- sufficient increase; appreciate
- considerable increase; depreciate

303 Environmental factors affecting international operations are as follows except \_\_\_\_.

- Foreign social aspect
- Foreign legal aspect
- Internal-distance
- External-distance
- Foreign political aspect

304 The balance of payments on current account does not include the following items

- None above
- Invisible trade items
- Foreign Stocks and Bondss
- Merchandise exports
- Current transfer items

305 The financial account in the balance of payments include the following \_\_\_\_

- all above
- oil
- gold
- foreign direct investment
- gas

306 Credit transactions in the balance of payments do not include \_\_\_\_.

- balance payments
- Exports of financial means
- Transfer receipts from foreign residents

- Investments and Interest Paid to Foreign Residents.
- earnings from interest

307 The most influential participant in the U.S. money market is

- none above
- are the large money center banks.
- the U.S. Treasury Department.
- is the Federal Reserve.
- are the investment banks that underwrite securities.

308 The Fed is an active participant in money markets mainly because of its responsibility to

- statement is not clear
- increase the interest income of retirees holding money market instruments.
- lower borrowing costs to encourage capital investment.
- to control the money supply
- assist the Securities and Exchange Commission in regulating the behavior other money market participants.

309 Financial intermediaries

- do nothing
- are involved in the process of indirect finance.
- exist because there are not substantial information and transaction costs in the economy.
- improve the lot of the small saver.
- do all of the above.

310 Which of the following is not one of the major groups that make up the balance of payments?

- receivablesaccount
- capital account
- financial account
- proffitt account.
- current account

311 The accounting statement that summarizes all the economic transactions between a country's residents and foreign residents is called the balance of

- payment
- capital account
- financial account
- Official account
- current account

312 As the real value of the yen rises, the balance on Japan's current account demonstrate....

- increase
- stay same
- improve
- deteriorate
- change

313 If a country imposes tariffs on imported goods, then that country's balance of payments is

- probating
- changing
- decreasing
- improving
- staying same

314 If income tax rates were lowered, then

- only a and b of the above
- interest rate on Treasury bonds would rise.
- interest rate on municipal bonds would fall.
- trendly interest rate on municipal bonds would rise.
- price of Treasury bonds would fall.

315 If income tax rates rise, then

- bonds should be sold
- prices of Treasury bonds will rise.
- prices of municipal bonds will fall.
- Treasury bonds' rate will rise.
- interest rate on municipal bonds will rise.

316 An increase in marginal tax rates would likely have the effect of \_\_\_\_\_ the demand for municipal bonds and \_\_\_\_\_ the demand for U.S. government bonds.

- only a and b of the above
- decreasing; increasing
- increasing; increasing
- bill increasing; decreasing
- decreasing; decreasing

317 For a simple loan, the simple interest rate equals to

- time based yield
- a current yield.
- nominal interest rate
- a real interest rate
- insufficient information

318 For simple loans, the simple interest rate is \_\_\_\_\_ the yield to maturity effectively.

- not accurately given
- less than
- greater than
- equal to
- not comparable to

319 Which of the following \$1,000 face value securities has the highest yield to maturity?

- none above
- less than 10 percent coupon bond selling for \$1,000
- above 5 percent coupon bond selling for \$1,000
- more than 12 percent coupon bond selling for \$1,000
- below percent coupon bond selling for \$1,100

320 Which of the following \$1,000 face value securities has the highest yield to maturity?

- none above
- less than percent coupon bond selling for \$1,000
- below 5 percent coupon bond selling for \$1,000

- more than 15 percent coupon bond selling for \$900
- above 15 percent coupon bond selling for \$1,000

321 Treasury bills do not pay

- statement is not clear
- have a face amount.
- have a maturity date.
- pay interest.
- have an active secondary market.

322 The interest rate that financial economists consider to be the most accurate measure is the yearly:

- only a and b of the above
- the yield on a discount basis.
- a current yield.
- yield to maturity.
- coupon rate.

323 Financial economists consider the \_\_\_\_\_ to be the most accurate measure of interest rates on the basis of year.

- only a and b of the above
- discount rate
- simple interest rate
- yield to maturity
- real interest rate

324 For a simple loan, the simple interest rate equals to

- only a and b of the above
- nominal interest rate
- a real interest rate
- the yield to maturity.
- a current yield.

325 For simple loans, the simple interest rate is \_\_\_\_\_ the yield to maturity effectively.

- only a and b of the above

- less than
- greater than
- equal to
- not comparable to

326 Which of the following \$1 face value securities has the highest yield to maturity?

- only a and b of the above
- less than 10 percent coupon bond selling for \$1,000
- above 5 percent coupon bond selling for \$1,000
- more than 12 percent coupon bond selling for \$1,000
- below percent coupon bond selling for \$1,100

327 Which of the following \$1 face value securities has the highest yield to maturity?

- only a and b of the above
- less than percent coupon bond selling for \$1,000
- below 5 percent coupon bond selling for \$1,000
- more than 15 percent coupon bond selling for \$900
- above 15 percent coupon bond selling for \$1,000

328 Which of the following are true for a coupon bond, coupon bonds are?

- Only (a) and (b) of the above are true.
- The price of a coupon bond and the yield to maturity are negatively related.
- When the coupon bond is priced at its face value, the yield to maturity equals the coupon rate.
- All of the above are true.
- The yield to maturity is greater than the coupon rate when the bond price is below the par value.

329 Which of the following are true for a coupon bond on?

- All of the above are true.
- The price of a coupon bond and the yield to maturity are negatively related.
- When the coupon bond is priced at its face value, the yield to maturity equals the coupon rate.
- Only (a) and (b) of the above are true.
- The yield to maturity is greater than the coupon rate when the bond price is above the par value.

330 Holding other things constant, an increase in the current account deficit of a country's balance of payments will

- increase the value of its currency
- increase the imports
- not affect the value of its currency
- decrease the value of its currency
- weaken the value OF its currency

331 Official reserve assets are composed of

- EUR
- US dollars
- special gold
- ordinary gold
- AZN

332 Two financial service firms and assign letter ratings to indicate the quality of sovereign-government bonds with long maturity

- Standard & Poor's and Citibank
- Dow Jones Company and Moody's Investor Service
- J.P. Morgan and Citibank
- Moody's Investor Service / Standard & Poor's
- Standard & Poor's and Dow Jones Company

333 The expected rate of return on a market portfolio is 15 percent. The riskless rate of interest is 7 percent. The beta of a company is 1.4. What is the required rate of return on this company's common equity?

- merely 33.2%
- less 22.2%
- bigger 19.2%
- equal 18.2%
- around 28.2%

334 Which of the following is not one of advantages for a flexible exchange rate system?

- Countries can maintain independent fiscal policy
- Flexible exchange rates permit a smooth adjustment to external shocks
- Countries can maintain independent fiscal policy
- stable sceptical rates under a flexible system are unstable
- Countries can maintain independent monetary policy



335 A country may link its exchange rate to the value of a major currency, often the US dollar. This is called

- account
- basket
- par
- currency peg
- budget

336 Equity and debt instruments with maturities greater than one year are called \_\_\_\_\_ market cures.

- municipal
- federal
- money
- capital
- government

337 According to the efficient markets hypothesis, the current price of a financial security

- none above
- is the discounted net present value of future interest payments
- is a result of high interest payment
- selects all available relevant information
- all above

338 Which of the following is not a characteristic of option contracts that trade on the Chicago Board Exchange Options?

- None of them
- It is easy to transfer the contracts between investors.
- The contracts are standardized.
- Option holders must take physical delivery of the underlying asset
- Writers of option are required to put up collateral.

339 A company wants to gather daily balance reporting from its international subsidiaries' bank accounts. Which of the following systems would allow the company's bank to gather the balance positions from the local banks select?

- None of them
- Giro
- CHIPS

- SWIFT
- EDI

340 Which of the following actions will not close a long position in a call option board ?

- None of them
- Selling a call with the same strike price, expiration, and underlying asset.
- Exercising the call
- Buying a put with the same strike price, expiration, and underlying asset.
- Allowing the call to expire.

341 Which of the following strategies will be profitable if the price of the underlying asset is expected to decrease select

- All of them
- None of them
- Buying a call.
- Selling a call.
- Buying a call.

342 Which of the following investment strategies has unlimited profit potential?

- None of them
- Covered call.
- Bull spread.
- Protective put.
- Writing a call.

343 The futures markets have grown rapidly in recent years because

- financial managers are more risk averse.
- Both for interest rate volatility and financial manager risk averse
- trade deficit
- none of them
- interest rate volatility has increased.

344 The risk that occurs because stock prices fluctuate is

- credit risk

- interest rate risk.
- stock market risk.
- reinvestment risk.
- default risk.

345 Futures differ from forwards because they are mainly

- None of them
- used to hedge individual securities.
- used to hedge portfolios.
- marked to market daily.
- used in both financial and foreign exchange markets.

346 If you sold a short contract on financial futures, you hope interest rates

- None of them
- are stable
- fall.
- rise.
- fluctuate.

347 The elimination of riskless profit opportunities in the futures market is referred to as

- mark to market.
- hedging.
- speculation
- arbitrage.
- open interest.

348 The purpose of the Commodity Futures Trading Commission is to do all of the following except

- None of them
- see that prices are not manipulated.
- approve proposed futures contracts.
- establish minimum prices for futures contracts.
- oversee futures trading.

349 Futures markets have grown rapidly as they are

- None of them
- have lower default risk.
- standardized.
- all of the above.
- liquid.

350 The seller of an option has the

- None of them
- right to exchange one payment stream for another.
- ability to reduce transaction risk.
- the obligation to buy or sell the underlying asset
- right to buy or sell the underlying asset.

351 An option that can be exercised at any time up to maturity is applied

- Call option
- stock option.
- European option.
- American option
- swap.

352 \_\_\_\_\_ occurs when market participants observe returns on a security that are larger than what is justified by the characteristics of that security and take action to quickly eliminate the unexploited profit opportunity- applied as

- none above
- loss
- profit
- arbitrage.
- gain

353 \_\_\_\_\_ is a process of bundling together smaller loans (like mortgages) into standard debt securities.

- default
- distribution
- origination
- securitization
- deflection

354 The growth of the subprime mortgage market led to

- additional demand for houses as the less credit-worthy borrowers could not obtain residential mortgages
- increased demand for houses as the less credit-worthy borrowers could not obtain residential mortgages
- decreased demand for houses as the less credit-worthy borrowers could not obtain residential mortgages
- Tracked demand for houses and helped fuel the boom in housing prices
- stable demand for houses as the less credit-worthy borrowers could not obtain residential mortgages

355 Which of the followings is an option which ensure the entrance into a swap?

- Contract
- Forward
- Resale
- Swaption
- Termination

356 Which of the followings is false?

- Long position shows the buy position
- Tenor is the length of the swap
- Forwards have no difference from futures
- High risk brings to high return
- Equities have no maturity date

357 Which of the followings is false?

- High risk brings to high return
- Tenor is the length of the swap
- Maturity date is the date of final payment
- Futures has the high counter party risk
- Long position shows the buy position

358 What is the term showing funds deposited before the trade to be identified?

- none above
- Settlement margin
- Variation margin
- Initial margin

Maintenance margin

359 What is the meaning of the term tenor?

- Number of payments
- Interest rate
- Date of final payment
- Time to maturity
- Discount made

360 Which of the followings provides the payment with the choice of currency?

- T-bills
- Optional bond
- Dual- currency bond
- Currency option bond
- Long-term bond

361 Which of the followings shows a legal contract between bondholder and trustee?

- Foreign bond
- Negative covenant
- Affirmative covenant
- Trust deed
- Covenant

362 The theory of purchasing power parity says that

- all above
- rate and the inflation rate are identical
- interest rate and the inflation rate are identical
- the Exchange rate will adjust to reflect changes in the price levels of two countries
- most foreign exchange dealers are speculators

363 If the Japanese yen was worth \$.0035 six months ago and is worth \$.0045 today, how much has the yen depreciated or appreciated?

- depreciated; about 44%
- increased; about 29%

- depreciated; about 29%
- appreciated; about 29%
- depreciated; about 44%

364 Which of the followings shows a coupon rate that increases on a schedule?

- Leveraged
- Deferred
- Credit-linked
- Step-up
- Payment-in-kind

365 Which of the followings shows a coupon rate that increases if the credit rating decreases and controversial?

- Leveraged
- Deferred
- Payment-in-kind
- Credit-linked
- Step-up

366 Which of the followings shows a coupon rate that makes it possible for the issuer to make payments by the increasing amount of principal?

- Leveraged
- Deferred
- Credit-linked
- Payment-in-kind
- Step-up

367 Which of the followings is lower when delivery is required?

- Gross margin
- Call margin
- Put margin
- Repo margin
- Bank margin

368 The..... assumes payments are made on dates of scheduled .

- Equivalent yield
- Market yield
- Government yield
- Street convention
- True yield

369 Which of the followings is used for calculating spread to benchmark bond yield of those issued by government?

- Equivalent yield
- True yield
- Market yield
- Government equivalent yield
- Street convention

370 The..... takes into the account holidays and weekends and uses actual payment times.

- Equivalent yield
- Government equivalent yield
- Market yield
- True yield
- Street convention

371 Which of the followings is an agreement of repurchase?

- Forward
- Swap
- Option
- Repo
- Future

372 Which of the followings ensures the conversion to common stock automatically if specified event contradicts?

- Future
- Puttable bond
- Warrant
- convertible
- Forward



373 The issuer of ..... may redeem bonds before maturity on scheduled date of call and at specified prices of call.

- Futures
- Options
- Warrants
- Callable bonds
- Forwards

374 The growth of the subprime mortgage market led to

- All of them
- a decrease in home ownership as investors chose other assets over housing
- a decline in the housing industry because of higher default risk
- the increased demand for houses and helped fuel the boom in housing prices
- decreased demand for houses as the less credit-worthy borrowers could not obtain residential mortgages

375 Mortgage brokers often did not make a strong effort to evaluate whether the borrower could pay off the loan. This created

- All of them
- decrease in the demand for houses
- decline in mortgage applications
- call severe adverse selection problem
- decrease in the supply of mortgage loans

376 When housing prices began to decline after their peak in 2006, many subprime borrowers found that their mortgages were "underwater." This meant

- All of them
- the roof leaked during a rainstorm
- the basement flooded since they could not afford to fix the leaky plumbing
- main value of the house fell below the amount of the mortgage
- the amount that they owed on their mortgage was less than the value of their house

377 Which investment bank filed for bankruptcy on September 15, 2008 making it the largest bankruptcy filing in U.S. history?

- All of them
- Bear Stearns
- Merrill Lynch

- Hehman Brothers
- Goldman Sachs

378 Financial crises generally develop along two basic paths:

- All of them
- stock market declines and unanticipated declines in the value of the domestic currency
- stock market declines and severe fiscal imbalances
- pick mismanagement of financial liberalization/globalization and severe fiscal imbalances
- stock market declines and mismanagement of financial liberalization

379 The two key factors that trigger speculative attacks on emerging market currencies does

- All of them
- low interest rates abroad and rising asset prices
- low interest rates abroad and severe fiscal imbalances
- deterioration in bank balance sheets/severe fiscal imbalances
- low interest rates abroad and falling asset prices

380 Severe fiscal imbalances can directly trigger a currency crisis since

- All of them
- the government may have to cut back on spending
- the government may stop printing money
- some Investors fear that the government may not be able to pay back the debt and so begin to sell domestic currency
- the currency must surely increase in value

381 A sharp depreciation of the domestic currency after a currency crisis leads to

- the higher inflation.
- decrease in the value of foreign currency-denominated liabilities
- lower interest rates
- lower import prices
- All of them

382 Factors that led to worsening financial market conditions in East Asia in 1997-1998 include

- All of them

- a rise in interest rates in domestic country
- a rise in interest rates abroad
- increased uncertainty from political shocks
- weak supervision by bank regulators

383 If debt contracts are denominated in foreign currency, then an unanticipated decline in the value of the domestic currency results in

- All of them
- an increase in willingness to lend
- an increase in a firm's net worth
- is a decline in a firm's net worth.
- an increase loan supply

384 Factors that lead to worsening conditions in financial markets include that:

- All of them
- increases in bond prices
- unanticipated increases in the price level
- the deterioration in banks' balance sheets
- increase in stock prices

385 A bank panic can lead to a severe contraction in economic activity due as

- Non of them
- the losses of bank depositors
- the losses of bank shareholders
- a decline in lending for productive investment
- the losses in international trade

386 In emerging economies, government fiscal imbalances may cause fears of

- All of them
- Lower interest rates
- Stock price declines
- Over default on government debt
- Higher interest rates

387 Which of the following is not a function of a commercial bank in the foreign exchange market?

- All of them
- they extend credit
- they operate the payment mechanism
- mass determine exchange-rates
- they help reduce foreign exchange risk

388 Which of the following is not a characteristic of speculation

- All of them
- exchange rate fluctuation
- profit motive
- securitization
- risk taking

389 A US company is expected to receive £100,000 in 120 days. If the company wants to minimize the risk of foreign exchange, then it would .

- All of them
- sell British pounds 120 days from now
- buy British pounds 120 days from now
- was sell British pound forward.
- sell British pounds in the current spot market

390 Speculation in foreign exchange markets entails .

- All of them
- covering in the money market
- covering in the forward market
- easy buying in the current spot market /selling in the future spot market
- covering in the futures market

391 Foreign exchange markets are efficient if .

- All of them
- market information is secretive
- markets are highly regulated
- is good information is available at no / little cost
- most foreign exchange dealers are speculators

392 The theory of purchasing power parity says easy

- All of them
- the interest rate is greater than the inflation rate
- the interest rate and the inflation rate are identical
- Exchange rate will adjust to reflect changes in the price levels of two countries
- the inflation rate is greater than the interest rate

393 The Fisher Effect assumes that the .

- All of them
- nominal interest rate is equal to the inflation rate
- real interest rate is equal to the nominal interest rate
- the inflation rate is greater than the interest rate
- inflation rate is equal to the real interest rate

394 The theory of interest rate parity means that the .

- spot rate reflects the inflation difference between two countries
- All of them
- interest rates are equal in two countries
- future spot rate reflects the inflation difference between two countries
- this difference between a Forward rate and a spot rate equals the difference between a domestic interest rate and a foreign interest rate

395 A forward rate is equal to a future spot rate if foreign exchange markets are .

- Non of them
- controlled by speculators
- controlled by the government
- An Efficient
- inefficient

396 If the Canadian dollar is equal to \$.86 and the Brazilian real is equal to \$.28, what is the value of the Brazilian real in terms of Canadian dollars?

- All of them
- about 3 reals
- about 2 reals
- does about 1 reals

about 4 reals

397 If the Japanese yen was worth \$.0035 six months ago and is worth \$.0045 today, how much has the yen appreciated or depreciated?

- All of them
- appreciated; about 45%
- appreciated; about 35%
- depreciated; about 29%
- appreciated; about 55%

398 If the expected inflation rate is 4% and the real required return is 5%, what is the nominal interest rate?

- All of them
- 0.12
- 0.11
- 9%
- 0.13

399 Foreign exchange markets are efficient if

- All of them
- transaction costs are high
- there are barriers of funds movement
- it exchange rates reflect all available information.
- there are arbitrage opportunities

400 Country analysis includes all of the below except:

- All of them
- Monetary policy
- Fiscal policy
- Early Ratio AnalySis
- Anticipated real growth

401 Steady state is defined as:

- Non of them
- the condition of decrease in capital per capita

- the condition of increase in capital per capita
- all condition of nochange in capital per capita
- the condition of fluctuation in capital per capita

402 Herfindahl index:

- All of them
- an indicator to analyze company
- the method to measure company's income
- is a method to measure concentration
- a ratio to evaluate equity return

403 Calculate the Debt to Equity Ratio given that Total Equity = \$587 and Total Debt = \$625.

- All of them
- 1.45
- 1.26
- 1,06
- 1.34

404 Calculate the Equity Multiplier given that Total Equity = \$1599 and Total Assets = \$2514.

- All of them
- 1,57
- 2.46
- 2.86
- 3.39

405 Calculate the Debt to Equity Ratio given that Total Equity = \$982 and Total Debt = \$629.

- All of them
- 1.65
- 1.53
- 0,64
- 1.04

406 Calculate the Quick Ratio given that Current Assets = \$1274, Inventory = \$646. and Current Liabilities = \$1420.

- All of them
- 0.57
- 0.68
- 0,44
- 0.87

407 Calculate the Equity Multiplier given that Total Equity = \$2557 and Total Assets = \$2884

- All of them
- 2.4
- 2.0
- 1,13
- 1.9

408 Return on total investment is a measure of \_\_\_\_\_.

- All of them
- Liquidity
- Solvency
- Over ProfitabilitY
- Activity

409 Calculate the Equity Multiplier given that Total Equity = \$1420 and Total Assets = \$2243.

- All of them
- 1.89
- 1.67
- 1,58
- 2.3

410 Calculate the Market to Book Ratio given that Total Equity = \$6791, Number of Shares Outstanding = 781 and the Stock Price = \$ 11

- All of them
- 2.5
- 1.98
- 1,27
- 3.12



411 Calculate the Profit Margin given that Net Income = \$111 and Sales = \$1116.

- All of them
- 11.35%
- 13.65%
- 9.95%
- 10.67%

412 Calculate the Market to Book Ratio given that Total Equity = \$2541, Number of Shares Outstanding = 1517 and the Stock Price = \$ 30.

- All of them
- 18.14
- 18.17
- 17.91
- 18.64

413 Calculate the Return on Equity (ROE) given that Net Income = \$655 and Total Owners' Equity = \$954.

- All of them
- 69.16%
- 69.02%
- 68.66%
- 69.34%

414 Calculate the Return on Equity (ROE) given that Net Income = \$166 and Total Owners' Equity = \$1241

- All of them
- 13.73%
- 14.16%
- 13.38%
- 13.75%

415 Which of the following is considered a profitability measure?

- All of them
- Price earnings ratio
- Fixed asset turnover
- Mass Return on Assets

Cash coverage ratio

416 The major device for measuring the profitability of a firm over a defined period of time is the

- All of them
- Statement of cash flow
- Sources and uses of funds statement
- that income statement
- Balance sheet

417 The \_\_\_\_\_ does not represent continuing operations in any way, but is simply a snapshot of the total worth of a firm at a given point in time.

- the Balance Sheet
- Sources and uses of funds statement
- Loss statement
- Assets statement
- All of them

418 \_\_\_\_\_ ratios measure the ability of a firm to earn an adequate return on sales, total assets and invested capital.

- All of them
- Debt utilization
- utilization
- create Profitability
- Asset utilization

419 The method of calculating return on assets which highlights the importance of sales, profit margin and asset turnover is known as

- Non of them
- the Gordon model
- the costs method
- analysis of DuPont
- the Altman model

420 The primary purpose of the liquidity ratios is to determine

- All of them
- the relative level of long term debt

- the relative level of short term debt
- does how well a firm is able to pay off short-term obligations.
- how much current assets is tied up in inventory

421 The major device that indicates what the firm owns and how these assets are financed in the form of liabilities or ownership interest:

- All of them
- the general ledger
- the statement of cash flows
- In Balance sheet
- the income statement

422 The primary sections of a statement of cash flows are:

- Non of them
- cash flows from investing, operating, financing, and accounting activities
- cash flows from investing, financing, and accounting activities
- activities cash flows from investing; operating, and financing activities
- cash flows from operating, financing, and accounting activities

423 Financial ratios are used to weigh and evaluate:

- All of them
- which stocks are about to file for bankruptcy
- the net present value of the company
- easy the operating performance /capital structure of the firm
- which stocks are the "gold mine" stocks when investing in the market

424 The type of ratio that allows the analyst to measure the ability of the firm to earn an adequate return on sales, total assets, and invested capital is:

- All of them
- asset utilization ratios
- debt utilization ratios
- Illegal profitability ratios
- liquidity ratios

425 If you buy a company's stock...

- All of them
- You are liable for the company's debts
- You cannot vote on shareholder resolutions
- Say you own a part of the company
- You have lent money to the company

426 If you buy a company's bond..

- All of them
- You risk is higher than shareholder's risk
- You own a part of the company
- Borrow have lent money to the company
- You can vote on shareholder resolutions

427 Which type of bond is the safest?

- All of them
- Commercial bond
- Municipal bond
- S.U. Treasury Bond
- AAA corporate bond

428 If a company files for bankruptcy, which of the following securities is most at risk of becoming virtually worthless?

- All of them
- The company's assets
- The company's bonds
- With The company's common stock
- The company's liabilities

429 Profitability ratios measure:

- All of them
- the debt position of the firm in light of its assets and earning powe
- the firm's ability to pay off long term obligations as they are due
- master the ability of the firm to earn an adequate return on sales, total assets, and invested capitaL
- the firm's ability to pay off short term obligations as they are due

430 Asset utilization ratios measure:

- the net present value of the company
- All of them
- which stocks are the "gold mine" stocks when investing in the market
- which stocks are about to file for bankruptcy
- master the speed at which the firm is turning over its assets.

431 Liquidity ratios measure:

- All of them
- which stocks are about to file for bankruptcy
- the net present value of the company
- master the firm's ability to pay off short -term obligations as they are due.
- which stocks are the "gold mine" stocks when investing in the market

432 Debt utilization ratios measure:

- All of them
- which stocks are about to file for bankruptcy
- the net present value of the company
- master the firm's ability to pay off short -term obligations as they are due.
- which stocks are the "gold mine" stocks when investing in the market

433 Debt utilization ratios measure:

- All of them
- which stocks are about to file for bankruptcy
- the net present value of the company
- master the firm's ability to pay off short -term obligations as they are due.
- which stocks are the "gold mine" stocks when investing in the market

434 Return on assets is computed

- All of them
- Net income/current assets
- Net income/sales
- Create Net income/Total assets.

- Income before interest and taxes (EBIT)/total assets

435 Under the Du Pont method of analysis, return on total assets plus:

- All of them
- income before interest and taxes (EBIT)/total assets
- net income/total assets
- Profit margin times assets turnover
- net income/sales

436 Among the liquidity ratios, one would include:

- All of them
- capital asset turnover and total asset turnover
- receivables turnover and total asset turnover
- is current ratio /quick ratio
- receivables turnover and inventory turnover

437 All of the following are capital structure ratios except:

- All of them
- Total asset /total equity
- Net debt/ equity
- early Total debt/ Sales.
- Total debt / total assets

438 Financial ratios are used to:

- All of them
- determine which firm will provide the highest return to investors
- determine net present value of a company
- to weigh and evaluate the operating performance of the firm
- provide an absolute benchmark of industry performance

439 To the securities analyst, the most important ratio group is:

- All of them
- liquidity

- debt utilization
- In Profitability
- asset utilization

440 To the banker/creditor, the most important ratio group is:

- All of them
- profitability
- liability utilization
- in Liquidity
- asset utilization

441 To the bondholder, the most important ratio is:

- All of them
- quick ratio
- times interest earned
- in debt / total assets.
- profit margin

442 Which of the following affect the demand for sterling on the foreign exchange market?

- All of them
- A UK speculator buying shares on the New York Stock Exchange
- ICI (a UK firm) buying raw materials from overseas
- More Boeing (US aircraft manufacturer) buying engines from Rolls-Royce in the UK
- UK tourists going on holiday

443 Which of the following affect the supply of sterling on the foreign exchange market?

- Boeing (US aircraft manufacturer) buying engines from Rolls Royce in the UK
- more ICI (aUK firm) buying raw materials from overseas.
- All of them
- Overseas tourists visiting the UK
- Overseas speculators investing on the UK Stock Exchange

444 If the exchange rate was depreciating rapidly and the Bank of England wanted to intervene, then what would they do?

- All of them
- Build up foreign exchange reserves
- Increase government expenditure and cut taxation
- Done Buy sterling /sell other currencies from reserves.
- Sell sterling and buy other currencies

445 If there was an excess demand for sterling, which of the following would help prevent a significant appreciation of the currency over time in ?

- All of them
- The Bank of England selling foreign currency from reserves
- An increase in the interest rate
- Increased economic growth- leading to rapid import growth.
- The Bank of England purchasing sterling on the foreign exchange

446 A deferred call provision is which one of the probability?

- All of them
- issuer which prevents that issuer from ever redeeming bonds prior to maturity
- ability of a bond issuer to delay repaying a bond until after the maturity date should the issuer so opt
- prohibition which prevents bond issuers from redeeming callable bonds prior to a specified date
- The Bank of England purchasing sterling on the foreign exchange

447 A call-protected bond is a bond that:

- none of above
- can never be called.
- is callable at any time.
- time be called during a certain period of time.
- by laws.

448 The items included in an indenture that limit certain actions of the issuer in order to protect bondholder's interests are referred to as the probability:

- trustee relationships.
- protective covenants.
- conditions.
- legal bounds.
- by laws.



449 Which one of the following is the price a dealer will pay to purchase a bond?

- par value
- call price
- asked price
- bid price
- ask spread

450 You want to buy a bond from a dealer. Which one of the following prices will you pay?

- bid-ask spread
- auction price
- call price
- price asked
- bid price

451 The difference between the price that a dealer is willing to pay and the price at which he or she will sell is called the space:

- equilibrium.
- discount.
- call price.
- spread.
- premium.

452 The Fisher effect is defined as the relationship between which of the following variables?

- default risk premium, inflation risk premium, and real rates
- interest rate risk premium, real rates, and default risk premium
- real rates, interest rate risk premium, and nominal rates
- vast real rates, inflation rates, and nominal rates
- nominal rates, real rates, and interest rate risk premium

453 The pure time value of money is known as the:

- inflation factor.
- liquidity effect.
- Fisher effect.
- term structure of interest rates.

interest rate factor.

454 A newly issued bond has a 7 percent coupon with semiannual interest payments. The bonds are currently priced at par value. The effective annual rate provided by these bonds must be:

- Answer cannot be determined from the information provided.
- greater than 3.5 percent but less than 7 percent.
- over 7 percent.
- be greater than 7 percent.
- over 3.5 percent.

455 The bonds issued by Stainless Tubs bear a 6 percent coupon, payable semiannually. The bonds mature in 11 years and have a \$1,000 face value. Currently, the bonds sell for \$989. What is the yield to maturity?

- 6.20 percent
- 5.92 percent
- 6.08 percent
- 5.87 percent
- 6.14 percent

456 Oil Well Supply offers 7.5 percent coupon bonds with semiannual payments and a yield to maturity of 7.68 percent. The bonds mature in 6 years. What is the market price per bond if the face value is \$1,000?

- \$1,002.60
- \$991.47
- \$989.70
- \$1,013.48
- \$996.48

457 Roadside Markets has a 6.75 percent coupon bond outstanding that matures in 10.5 years. The bond pays interest semiannually. What is the market price per bond if the face value is \$1,000 and the yield to maturity is 6.69 percent?

- \$1,007.52
- \$1,003.42
- \$999.85
- \$999.80
- \$1,004.47

458 Grand Adventure Properties offers a 9.5 percent coupon bond with annual payments. The yield to maturity is 11.2 percent and the maturity date is 11 years from today. What is the market price of this bond if the face value is \$1,000?

- \$953.30
- \$941.20
- \$896.67
- \$895.43
- \$946.18

459 Redesigned Computers has 5.25 percent coupon bonds outstanding with a current market price of \$546.19. The yield to maturity is 16.28 percent and the face value is \$1,000. Interest is paid semiannually. How many years is it until these bonds mature?

- 28.32 years
- 12.41 years
- 7.08 years
- 6.64 years
- 14.16 years

460 Global Communications has a 7 percent, semiannual coupon bond outstanding with a current market price of \$1,023.46. The bond has a par value of \$1,000 and a yield to maturity of 6.72 percent. How many years is it until this bond matures?

- 25.05 years
- 18.49 years
- 12.53 years
- 12.26 years
- 24.37 years

461 You are purchasing a 25-year, zero-coupon bond. The yield to maturity is 8.68 percent and the face value is \$1,000. What is the current market price?

- \$128.47
- \$119.52
- \$108.18
- \$106.67
- \$121.50

462 Today, you want to sell a \$1,000 face value zero coupon bond you currently own. The bond matures in 4.5 years. How much will you receive for your bond if the market yield to maturity is currently 5.33 percent? Ignore any accrued interest.

- \$789.22
- \$741.08
- \$698.09
- \$696.60
- \$756.14

463 The zero coupon bonds of D&L Movers have a market price of \$319.24, a face value of \$1,000, and a yield to maturity of 9.17 percent. How many years is it until these bonds mature?

- 13.47 years
- 12.73 years
- 12.28 years
- 11.92 years
- 13.01 years

464 A 16-year, 4.5 percent coupon bond pays interest annually. The bond has a face value of \$1,000. What is the percentage change in the price of this bond if the market yield to maturity rises to 5.7 percent from the current rate of 5.5 percent?

- 2.14 percent increase
- 2.14 percent decrease
- 1.97 percent decrease
- 0.21 percent increase
- 1.97 percent increase

465 The Corner Grocer has a 7-year, 6 percent annual coupon bond outstanding with a \$1,000 par value. The bond has a yield to maturity of 5.5 percent. Which one of the following statements is correct if the market yield suddenly increases to 6.5 percent?

- The bond price will increase by \$57.14.
- The bond price will increase by 5.29 percent.
- The bond price will decrease by \$53.62.
- Price will decrease by 5.43 percent.
- The bond price will decrease by 5.36 percent.

466 Blackwell bonds have a face value of \$1,000 and are currently quoted at 98.4. The bonds have a 5 percent coupon rate. What is the current yield on these bonds?

- 5.54 percent
- 5.08 percent

- 4.78 percent
- 4.67 percent
- 5.33 percent

467 The 7 percent, semi-annual coupon bonds offered by House Renovators are callable in 2 years at \$1,054. What is the amount of the call premium on a \$1,000 par value bond?

- \$89
- \$72
- \$54
- \$52
- \$84

468 The outstanding bonds of The River Front Ferry carry a 6.5 percent coupon. The bonds have a face value of \$1,000 and are currently quoted at 101.6. What is the current yield on these bonds?

- 6.88 percent
- 6.40 percent
- 2.37 percent
- 1.60 percent
- 6.49 percent

469 A corporate bond was quoted yesterday at 102.16 while today's quote is 102.19. What is the change in the value of a bond that has a face value of \$6,000?

- \$180.00
- \$3.00
- \$1.80
- \$0.30
- \$18.00

470 A bond is quoted at a price of \$989. This price is referred to as which one of the following?

- wholesale price
- clean price
- call price
- face value
- dirty price

471 Pete paid \$1,032 as his total cost of purchasing a bond. This price is referred to as dry:

- call price.
- spread price.
- clean price.
- dirty price.
- quoted price.

472 Real rates are defined as nominal rates that have been adjusted for which of the following information?

- both inflation and interest rate risk
- accrued interest
- default risk
- inflation
- rate risk

473 Interest rates that include an inflation premium are referred to as:

- nominal rates.
- effective annual rates.
- stripped rates.
- annual percentage rates.
- real rates.

474 Greenbrier Industrial Products' bonds have a 7.60 percent coupon and pay interest annually. The face value is \$1,000 and the current market price is \$1,062.50 per bond. The bonds mature in 16 years. What is the yield to maturity?

- 7.80percent
- 7.46percent
- 7.22percent
- 6.94percent
- 7.71percent

475 Collingwood Homes has a bond issue outstanding that pays an 8.5 percent coupon and matures in 18.5 years. The bonds have a par value of \$1,000 and a market price of \$964.20. Interest is paid semiannually. What is the yield to maturity?

- 8.90 percent
- 8.61 percent

- 8.42 percent
- 8.36 percent
- 8.74 percent

476 A 10-year, 4.5 percent, semiannual coupon bond issued by Tyler Rentals has a \$1,000 face value. The bond is currently quoted at 98.7. What is the clean price of this bond if the next interest payment will occur 2 months from today?

- \$1,022.50
- \$1,002.00
- \$994.50
- \$987.00
- \$1,011.25

477 A Treasury bond is quoted at a price of 105:15. What is the market price of this bond if the face value is

- \$5,515.00
- \$5,257.50
- \$5,105.15
- \$5,005.15
- \$5,273.44

478 A Treasury bond is quoted at a price of 101:14 with a current yield of 7.236 percent. What is the coupon rate?

- 7.34 percent
- 7.30 percent
- 7.28 percent
- 7.20 percent
- 7.39 percent

479 Northern Warehouses wants to raise \$11.4 million to expand its business. To accomplish this, it plans to sell 40-year, \$1,000 face value, zero-coupon bonds. The bonds will be priced to yield 8.75 percent. What is the minimum number of bonds it must sell to raise the \$11.4 million it needs?

- 350,448
- 239,800
- 254,907
- 210,411
- 326,029

480 You have won a contest and will receive \$2,500 a year in real terms for the next 3 years. Each payment will be received at the end of the period with the first payment occurring one year from today. The relevant nominal discount rate is 6.3 percent and the inflation rate is 4.5 percent. What are your winnings worth today?

- \$7,838
- \$7,401
- \$7,367
- \$7,249
- \$7,500

481 You purchased an investment which will pay you \$8,000, in real dollars, a year for the next three years. Each payment will be received at the end of the period with the first payment occurring one year from today. The nominal discount rate is 7.5 percent and the inflation rate is 2.9 percent. What is the present value of these payments?

- \$21,720
- \$23,406
- \$22,511
- \$22,004
- \$23,529

482 Consider the cash flows in selections a through d. In each case, the first cash flow occurs at the end of the first period, the second cash flow at the end of the second period, and so on. Which of the following selections has the lowest present value if the discount rate is 5%?

- none of above
- \$750
- \$200
- \$100
- \$500

483 Consider the cash flows in selections a through d. In each case, the first cash flow occurs at the end of the first period, the second cash flow at the end of the second period, and so on. Which of the following selections has the lowest present value if the discount rate is 10%?

- none of above
- \$350
- \$200
- \$100
- \$500



484 In 1955, an order of McDonald's French fries cost 10. If McDonald's had increased the cost of its fries to keep up with inflation, an order of fries would cost 55 in 1994. Given this information on the price of fries, what is the effective annual rate of inflation over the period from 1955 to 1994?

- 450.00%
- 6.63%
- 4.47%
- 2.34%
- 7.84%

485 Suppose that you can subscribe to a magazine using either a one-year rate of \$22, a two-year rate of \$38, or a three-year rate of \$54. If want to receive this magazine for three years and if your opportunity cost of funds is 5%, which rate offers the lowest cost?

- none of above
- A two-year subscription paid immediately, costing \$38, followed by a one-year subscription costing \$22 and paid at the beginning of the third year.
- Three one-year subscriptions, of \$22 each, paid at the beginning of each year.
- Case three-year subscription costing \$54 and paid immediately.
- A one-year subscription paid immediately, costing \$22, followed by a two-year subscription costing \$38 and paid at the beginning of the second year.

486 Sam refuses to retire until his retirement account has a balance of at least \$300,000. Sam refuses to make any more deposits in the account. The account currently has a balance of \$200,000 and earns 6% per year, compounded semi-annually. How long does Sam have before he will retire?

- none of above
- 13 years
- 7 years
- 6 years
- 14 years

487 Chris refuses to retire until her retirement account has a balance of at least \$300,000. Chris also refuses to make any additional deposits into the account. The account currently has a balance of \$100,000 and earns 4% per year, compounded quarterly. How long does Chris have before she will retire?

- none of above
- 29 years
- 27 years
- 24 years
- 119 years

488 In the early 1980s, the Federal Reserve pursued a tight monetary policy. All else being equal, the impact of that policy was to \_\_\_\_\_

interest rates in the United States relative to those in Europe and cause the dollar to \_\_\_\_\_ against European currencies.

- None of the above
- Decrease, appreciate
- Decrease, depreciate
- Caused increase, appreciate
- Increase, depreciate

489 Assume the following: (1) the interest rate on 6-month treasury bills is 8 percent per annum in the United Kingdom and 4 percent per annum in the United States; (2) today's spot price of the pound is \$1.50 while the 6-month forward price of the pound is \$1.485. Answer the next three questions on the basis of this information.

- None of the above
- Elastic
- Constant
- Inelastic
- Unitary elastic

490 Assume that you are the Chase Manhattan Bank of the United States, and you have 1 million Swiss francs in your vault that you will need to use in 30 days. Moreover, you need 500,000 British pounds for the next 30 days. You arrange to loan your francs to Barclays Bank of London for 30 days in exchange for 500,000 pounds today, and reverse the transaction at the end of 30 days. You have just arranged a:

- None of the above
- Futures contract
- Forward contract
- A currency swap
- Spot contract

491 A company has two open seats, Seat A and Seat B, on its board of directors. There are 6 candidates vying for these 2 positions. There will be a single election to determine the winner of both open seats. As the owner of 100 shares of stock, you will receive one vote per share for each open seat. You decide to cast all 200 of your votes for a single candidate. What is this type of voting called?

- proxy
- straight
- democratic
- cumulative
- deferred

492 You want to be on the board of directors of Wisely Foods. Since you are the only shareholder that will vote for you, you will need to own more than half of the outstanding shares of stock if you are to be elected to the board. What is the type of voting called that requires this level of stock ownership to be successfully elected under these conditions slightly?

- proxy
- cumulative
- democratic
- straight
- deferred

493 An increase in which of the following will increase the current value of a stock according to the dividend growth model? I. dividend amount II. number of future dividends, provided the current number is less than infinite III. discount rate IV. dividend growth rate mainly

- I, II, III, and IV
- III and IV only
- I and II only
- mainly I, II, and IV only
- I, II, and III only

494 High Country Builders currently pays an annual dividend of \$1.35 and plans on increasing that amount by 2.5 percent each year. Valley High Builders currently pays an annual dividend of \$1.20 and plans on increasing its dividend by 3 percent annually. Given this information, you know for certain that the stock of High Country Builders' has a higher \_\_\_\_\_ than the stock of Valley High Builders.

- market price
- The answer cannot be determined based on the information provided
- total return
- dividend yield
- basicly capital gains yield

495 The dividend growth model: I. assumes that dividends increase at a constant rate forever. II. can be used to compute a stock price at any point in time. III. can be used to value zero-growth stocks. IV. requires the growth rate to be less than the required return a.

- I, II, and IV only
- II and IV only
- I and III only
- a I, II, III, and IV
- I, III, and IV only

496 Jen owns 30 shares of stock in Delta Fashions and wants to win a seat on the board of directors. The firm has a total of 100 shares of stock outstanding. Each share receives one vote. Presently, the company is voting to elect three new directors. Which one of the following statements must be true given this information?

- Cumulative voting applies, Jen can control all of the open seats.
- If cumulative voting applies, Jen is assured one seat on the board.
- Regardless of the voting procedure, Jen does not own enough shares to gain a seat on the board.
- Straight voting applies, Jen is assured a seat on the board.
- Straight voting applies, Jen can control all of the open seats.

497 The Blue Marlin is owned by a group of 5 shareholders who all vote independently and who all want personal control over the firm. What is the minimum percentage of the outstanding shares one of these shareholders must own if he or she is to gain personal control over this firm given that the firm uses straight voting?

- 20 percent plus one vote
- 17 percent
- 51 percent
- 50 percent plus one vote
- 25 percent plus one vote

498 Chemical Mines has 5,000 shareholders and is preparing to elect two new board members. You do not own enough shares to personally control the elections but are determined to oust the current leadership. Likewise, no other single shareholder owns sufficient shares to personally control the outcome of the election. Which one of the following is the most likely outcome of this situation given that some shareholders are happy with the existing management?

- negotiated settlement where each side is granted control over one of the open seats
- mainly proxy fight for control of the board
- control of the board decided without your influence
- arbitrated settlement where the arbitrator determines who will be elected to the board
- protracted legal battle over control of the board of directors

499 Hardy Lumber has a capital structure which includes bonds, preferred stock, and common stock. Which of the following rights have most likely been granted to the preferred shareholders? I. right to share in company profits prior to other shareholders II. right to elect the corporate directors III. right to vote on proposed mergers IV. right to all residual income after the common dividends have been paid

- I, II, III, and IV
- so I only
- I and III only

- I and IV only
- II, III, and IV only

500 You own one share of a cumulative preferred stock which pays quarterly dividends. The firm has recently suffered some financial setbacks and has failed to pay the last two dividends. However, new funding has been arranged and the firm intends to restore all dividends, both common and preferred, this quarter. As a preferred shareholder, you should expect to receive the equivalent of \_\_\_\_ quarter(s) of dividends when the next dividend is paid.

- either 1, 2, or 3
- 3.0
- 2.0
- 1.0
- 0