

Chapter 11 Practice Test

Multiple Choice

- _____ 1. The Efficient Market Hypothesis argues that
- stocks are usually priced about right.
 - stocks are generally overpriced.
 - all investments are the same.
 - every investment has some risk.
- _____ 2. Investors who sign a contract guaranteeing them the option of selling shares of stock at a specified price in the future have agreed to a
- push option.
 - spot option.
 - call option.
 - put option.

The New York Stock Exchange

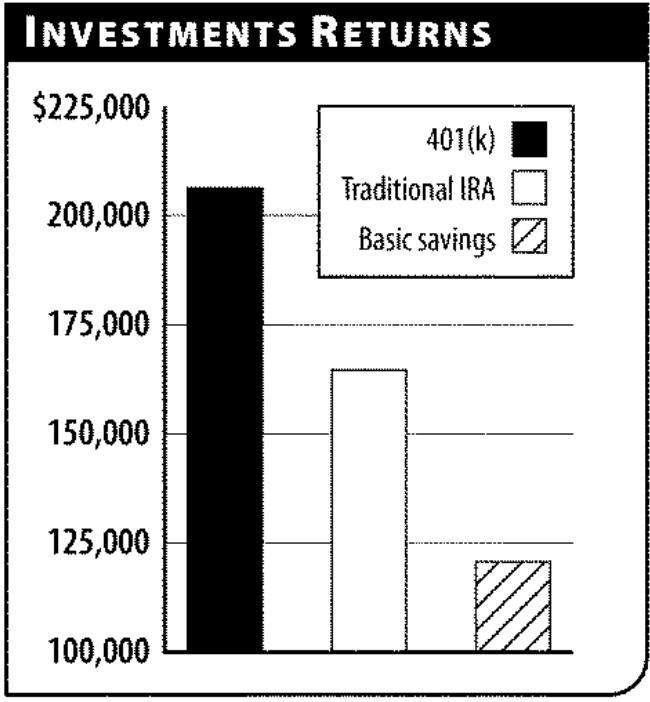
YTD % CHG	52 Weeks HI LO		STOCK(SYM)	DIV	YLD %	PE	VOL 100S	LAST	NET CHG
+28.8	19.35	8.50	ExtndStayAm ESA		...	21	1183	16.55	-4.40
+1.0	95.44	75.13	ExxonMobile XOM	1.76	2	16	61224	87.80	-0.30
-0.8	49.85	33.25	FedExCp FDX		...	16	5398	39.64	-0.08
+6.6	49.51	21.69	FordMotor F	1.20	4.8	21	53049	24.99	+0.16

- _____ 3. According to the stock market quotation, which stock has made the biggest gain up to this point in the year?
- ExtndStayAm **ESA**
 - ExxonMobile **XOM**
 - FedExCp **FDX**
 - FordMotor **F**

This table shows the balance in an account if monthly deposits of \$10 were compounded monthly.

Annual Interest	Value at end of:			
	5 years	10 years	15 years	20 years
0%	\$600	\$1,200	\$1,800	\$2,000
2%	\$630	\$1,327	\$2,097	\$2,948
4%	\$663	\$1,472	\$2,461	\$3,668
6%	\$698	\$1,639	\$2,908	\$4,620

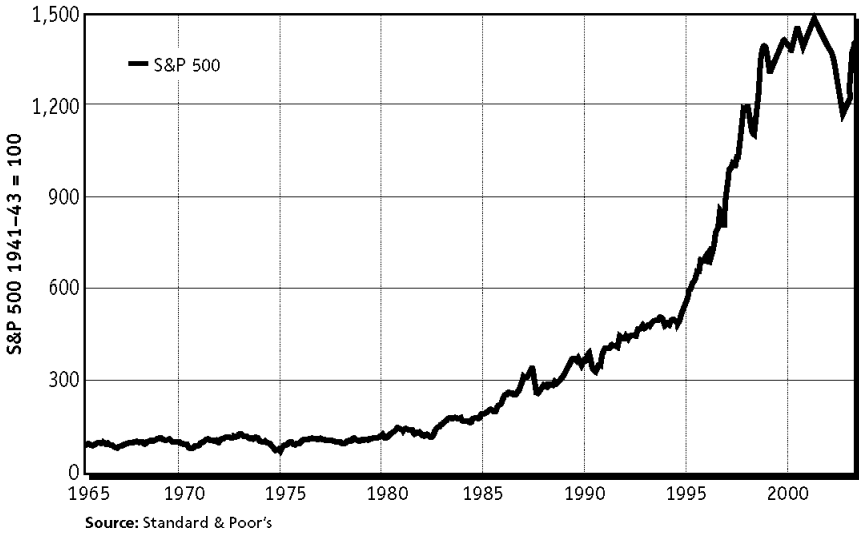
- _____ 4. Suppose you deposited \$10 into your savings account each month, as indicated in the table. Your account pays 4%, compounded monthly. How much will you have in your account at the end of 15 years?
- \$2,908
 - \$2,461
 - \$3,668
 - \$1,800
- _____ 5. A market where existing financial assets can be resold to new owners is called a
- capital market.
 - primary market.
 - money market.
 - secondary market.



Source: Quicken.com

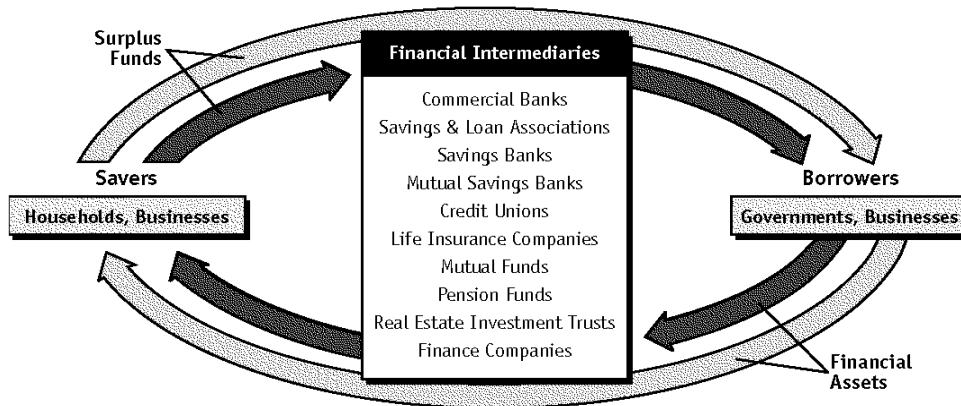
6. Based on the illustration, you would earn more in the retirement plans than you would on basic savings because you would
- pay yearly taxes on savings.
 - invest more each year in the retirement plans.
 - invest in the retirement plans for a longer time.
 - receive a higher rate of return on the retirement plans.

Tracking Stocks With Standard & Poor's (S&P) 500



7. According to the graph, when did the most significant bull market occur?
- 1985-1990
 - 1990-1995
 - 1995-2000
 - after 2000

Overview of the Financial System



8. Based on this graph, how do governments and businesses borrow funds?
- directly from savers
 - directly from savers and indirectly through financial intermediaries
 - indirectly from savers through financial intermediaries
 - by generating financial assets

Answer Section

MULTIPLE CHOICE

- ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 307
- ANS: D PTS: 1 DIF: Challenging
REF: Learn more about this question in Economics Principles and Practices, page 311
- ANS: A PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 306
- ANS: B PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 293
- ANS: A PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 308
- ANS: D PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, page 303
- ANS: C PTS: 1 DIF: Easy
REF: Learn more about this question in Economics Principles and Practices, page 310
- ANS: B PTS: 1 DIF: Average
REF: Learn more about this question in Economics Principles and Practices, pages 290-291