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| 1. ​Financial market participants who provide funds are called   |  |  |  | | --- | --- | --- | |  | a. | ​deficit units. | |  | b. | ​surplus units. | |  | c. | ​primary units. | |  | d. | ​secondary units. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - OH -  ​BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - HO - 15.02 - DISC.FMAI.MADU. United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 2. ​Which of the following is not an issuer of bonds?   |  |  |  | | --- | --- | --- | |  | a. | ​households | |  | b. | ​corporations | |  | c. | ​the U.S. Treasury | |  | d. | ​government agencies |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 3. ​Behavioral finance   |  |  |  | | --- | --- | --- | |  | a. | ​applies concepts from sociology and anthropology to the behavior of market participants. | |  | b. | ​studies the behavior of financial markets in response to changes in Federal Reserve policy. | |  | c. | ​applies psychology to financial decision making. | |  | d. | ​explains why markets are efficient. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 4. Those financial markets that facilitate the flow of short-term funds are known as​   |  |  |  | | --- | --- | --- | |  | a. | ​money markets. | |  | b. | ​capital markets. | |  | c. | ​primary markets. | |  | d. | ​secondary markets. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.02 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 5. ​Funds are provided to the initial issuer of securities in the   |  |  |  | | --- | --- | --- | |  | a. | ​secondary market. | |  | b. | ​primary market. | |  | c. | ​deficit market. | |  | d. | ​surplus market. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 6. ​Which of the following is a capital market instrument?   |  |  |  | | --- | --- | --- | |  | a. | ​a six-month certificate of deposit | |  | b. | ​a three-month Treasury bill | |  | c. | ​a ten-year bond | |  | d. | ​an agreement for a bank to loan funds directly to a company for nine months |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 7. ​Which of the following is a money market security?   |  |  |  | | --- | --- | --- | |  | a. | ​Treasury note | |  | b. | ​municipal bond | |  | c. | ​mortgage | |  | d. | ​commercial paper |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 8. ​The creditors in the federal funds market are   |  |  |  | | --- | --- | --- | |  | a. | ​households. | |  | b. | ​depository institutions. | |  | c. | ​firms. | |  | d. | ​government agencies. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 9. ​Investors in equity securities may earn a return from   |  |  |  | | --- | --- | --- | |  | a. | ​coupon payments and the return of principal at the maturity date. | |  | b. | ​coupon payments and a capital gain when they sell the securities. | |  | c. | ​quarterly dividends (if paid) and a capital gain when they sell the securities. | |  | d. | ​quarterly dividends (if paid) and the return of principal at the maturity date. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 10. ​Money market securities generally have \_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | ​relatively low liquidity, low expected return, and a high degree of credit risk. | |  | b. | ​relatively high liquidity, high expected return, and a high degree of credit risk. | |  | c. | ​relatively low liquidity, high expected return, and a low degree of credit risk. | |  | d. | ​relatively high liquidity, low expected return, and a low degree of credit risk. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 11. ​If security prices fully reflect all available information, the markets for these securities are   |  |  |  | | --- | --- | --- | |  | a. | ​efficient. | |  | b. | ​primary. | |  | c. | ​overvalued. | |  | d. | ​undervalued. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 12. ​If markets are \_\_\_\_, investors could use available information ignored by the market to earn abnormally high returns.   |  |  |  | | --- | --- | --- | |  | a. | ​perfect | |  | b. | ​active | |  | c. | ​inefficient | |  | d. | ​in equilibrium |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 13. ​financial markets are efficient, this implies that all securities should earn the same return.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 14. ​The Securities Act of 1933   |  |  |  | | --- | --- | --- | |  | a. | ​required complete disclosure of relevant financial information for publicly offered securities in the primary market. | |  | b. | ​declared trading strategies to manipulate the prices of public secondary securities illegal. | |  | c. | ​imposed heavy penalties for insider trading. | |  | d. | ​required complete disclosure of relevant financial information for securities traded in the secondary market. | |  | e. | ​all of the above |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 15. ​The Securities and Exchange Commission (SEC) was established by the   |  |  |  | | --- | --- | --- | |  | a. | ​Federal Reserve Act. | |  | b. | ​McFadden Act. | |  | c. | ​Securities Exchange Act of 1934. | |  | d. | ​Glass-Steagall Act. | |  | e. | ​none of the above |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 16. ​Stock issued by a corporation is an example of a(n)   |  |  |  | | --- | --- | --- | |  | a. | ​debt security. | |  | b. | ​money market security. | |  | c. | ​equity security. | |  | d. | ​A and B |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 17. ​If financial markets were \_\_\_\_, all information about any securities for sale in primary and secondary markets would be continuously and freely available to investors.   |  |  |  | | --- | --- | --- | |  | a. | ​efficient | |  | b. | ​inefficient | |  | c. | ​perfect | |  | d. | ​imperfect |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 18. ​Which of the following is not a typical function of securities firms?   |  |  |  | | --- | --- | --- | |  | a. | ​provide brokerage services | |  | b. | ​provide underwriting services | |  | c. | ​accept deposits that are insured by the federal government and use the funds to provide loans to corporations | |  | d. | ​offer advice on mergers and other corporate restructurings. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 19. ​Without the participation of financial intermediaries in financial market transactions,   |  |  |  | | --- | --- | --- | |  | a. | ​information and transaction costs would be lower. | |  | b. | ​transaction costs would be higher but information costs would be unchanged. | |  | c. | ​information costs would be higher but transaction costs would be unchanged. | |  | d. | ​information and transaction costs would be higher. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 20. ​Which of the following is most likely to be described as a depository institution?   |  |  |  | | --- | --- | --- | |  | a. | ​finance companies | |  | b. | ​securities firms | |  | c. | ​credit unions | |  | d. | ​pension funds | |  | e. | ​insurance companies |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 21. ​In aggregate, \_\_\_\_ are the most dominant depository institution, with more total assets than other depository institutions.   |  |  |  | | --- | --- | --- | |  | a. | ​commercial banks | |  | b. | ​savings banks | |  | c. | ​credit unions | |  | d. | ​S&Ls |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 22. ​Which of the following is a nondepository financial institution?   |  |  |  | | --- | --- | --- | |  | a. | ​savings bank | |  | b. | ​commercial bank | |  | c. | ​savings and loan association | |  | d. | ​mutual fund |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 23. ​Which of the following distinguishes credit unions from commercial banks and savings institutions?   |  |  |  | | --- | --- | --- | |  | a. | ​Credit unions are nonprofit. | |  | b. | ​Credit unions accept deposits but do not make loans. | |  | c. | ​Credit unions make loans but do not accept deposits. | |  | d. | ​Savings institutions restrict their business to members who share a common bond. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 24. ​When a securities firm acts as a broker, it   |  |  |  | | --- | --- | --- | |  | a. | ​guarantees the issuer a specific price for newly issued securities. | |  | b. | ​makes a market in specific securities by adjusting its own inventory. | |  | c. | ​executes securities transactions between two parties. | |  | d. | ​purchases securities for its own account. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 25. ​When a securities firm acts as a(n) \_\_\_\_, it makes a market in specific securities by maintaining an inventory of those securities.   |  |  |  | | --- | --- | --- | |  | a. | ​adviser | |  | b. | ​dealer | |  | c. | ​broker | |  | d. | ​none of the above |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 26. ​\_\_\_\_ obtain funds by issuing securities and then lend the funds to individuals and small businesses.   |  |  |  | | --- | --- | --- | |  | a. | ​Finance companies | |  | b. | ​Securities firms | |  | c. | ​Mutual funds | |  | d. | ​Insurance companies |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 27. ​Households with \_\_\_\_ are served by \_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | ​deficient funds; depository institutions and finance companies | |  | b. | ​deficient funds; finance companies only | |  | c. | ​savings; finance companies only | |  | d. | ​savings; pension funds and finance companies |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 28. ​\_\_\_\_ concentrate on mortgage loans.   |  |  |  | | --- | --- | --- | |  | a. | ​Finance companies | |  | b. | ​Commercial banks | |  | c. | ​Savings institutions | |  | d. | ​Credit unions |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 29. ​\_\_\_\_ securities have a maturity of one year or less; \_\_\_\_ securities generally have relatively high liquidity.   |  |  |  | | --- | --- | --- | |  | a. | ​Money market; capital market | |  | b. | ​Money market; money market | |  | c. | ​Capital market; money market | |  | d. | ​Capital market; capital market |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 30. ​Which of the following are not major investors in stocks?   |  |  |  | | --- | --- | --- | |  | a. | ​commercial banks | |  | b. | ​insurance companies | |  | c. | ​mutual funds | |  | d. | ​pension funds |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 31. ​Which of the following financial intermediaries commonly invests in stocks and bonds?   |  |  |  | | --- | --- | --- | |  | a. | ​pension funds | |  | b. | ​insurance companies | |  | c. | ​mutual funds | |  | d. | ​all of the above |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 32. ​Securities represent a claim on the issuer.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 33. ​Debt securities represent debt (borrowed funds) incurred by the issuer.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 34. ​A five-year security was purchased two years ago by an investor who plans to resell it. The investor will sell the security r in the   |  |  |  | | --- | --- | --- | |  | a. | ​secondary market. | |  | b. | ​primary market. | |  | c. | ​deficit market | |  | d. | ​surplus market. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 35. ​When security prices fully reflect all available information, the markets for these securities are said to be efficient.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 36. ​If markets are perfect, securities buyers and sellers to not have full access to information and cannot always break down securities to the precise size they desire.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 37. ​A broker executes securities transactions between two parties and charges a fee reflected in the bid-ask spread.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 38. ​The adoption of the euro increased business between European countries and created a more competitive environment in Europe.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 39. ​In recent years, financial institutions have consolidated to capitalize on economies of scale and on economies of scope.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 40. ​Securities represent a claim on the provider of funds.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 41. ​Debt securities include commercial paper, Treasury bonds, and corporate bonds.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 42. ​Common types of capital market securities include Treasury bills and commercial paper.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 43. ​Common types of money market securities include negotiable certificates of deposit and Treasury bills.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 44. ​Money market securities are commonly issued to finance the purchase of assets such as buildings, equipment, or machinery.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 45. ​The total asset value of savings institutions is larger than that of commercial banks.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 46. ​Financial markets facilitating the flow of short-term debt securities with maturities of less than one year are known as   |  |  |  | | --- | --- | --- | |  | a. | ​secondary markets. | |  | b. | ​capital markets. | |  | c. | ​primary markets. | |  | d. | ​money markets. | |  | e. | ​none of the above |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 47. ​Which of the following transactions would not be considered a secondary market transaction?   |  |  |  | | --- | --- | --- | |  | a. | ​An individual investor purchases some existing shares of stock in Apple through her broker. | |  | b. | ​An institutional investor sells some Disney stock through its broker. | |  | c. | ​A firm that was privately held engages in an offering of stock to the public. | |  | d. | ​All of the above are secondary market transactions. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 48. ​If investors speculate in the underlying asset rather than in derivative contracts on the underlying asset, they will probably achieve \_\_\_\_ returns, and they are exposed to relatively \_\_\_\_ risk.   |  |  |  | | --- | --- | --- | |  | a. | ​lower; lower | |  | b. | ​lower; higher | |  | c. | ​higher; lower | |  | d. | ​higher; higher |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 49. ​\_\_\_\_ maintain a larger amount of assets in aggregate than the other types of nondepository institutions.   |  |  |  | | --- | --- | --- | |  | a. | ​Finance companies | |  | b. | ​Mutual funds | |  | c. | ​Life insurance companies | |  | d. | ​Securities firms |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 50. ​An asymmetric information problem arises when one party to a transaction has information that is not available to the other party, as when a corporation fails to tell investors the full extent of its losses.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 51. ​Bonds issued by corporations have a \_\_\_\_ expected return and \_\_\_\_ risk than Treasury bonds.   |  |  |  | | --- | --- | --- | |  | a. | ​lower; lower | |  | b. | ​lower; higher | |  | c. | ​higher; lower | |  | d. | ​higher; higher |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 52. ​Systemic risk is the risk that a large decline in one stock’s price could cause investors to sell their stock in other companies.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 53. ​The Sarbanes-Oxley Act requires firms to provide complete and accurate financial information and imposes penalties on key executives of the firm if financial fraud is detected.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 54. ​Capital market securities are commonly issued in order to finance the purchase of assets such as buildings, equipment, or machinery.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 55. ​Commercial banks in aggregate have more assets than credit unions.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 56. ​Those participants who receive more money than they spend are referred to as   |  |  |  | | --- | --- | --- | |  | a. | ​deficit units. | |  | b. | ​surplus units. | |  | c. | ​borrowing units. | |  | d. | ​government units. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 57. ​Equity securities   |  |  |  | | --- | --- | --- | |  | a. | ​have a maturity. | |  | b. | ​pay interest on a periodic basis. | |  | c. | ​represent ownership in the issuer. | |  | d. | ​repay the principal amount at maturity. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 58. ​\_\_\_\_ involve(s) decisions such as how much funding to obtain and what types of securities to issue when financing operations.   |  |  |  | | --- | --- | --- | |  | a. | ​Corporate finance | |  | b. | ​Investment management | |  | c. | ​Financial markets and institutions | |  | d. | ​none of the above |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 59. ​There is a \_\_\_\_ relationship between the risk of a security and the expected return from investing in the security.   |  |  |  | | --- | --- | --- | |  | a. | ​positive | |  | b. | ​negative | |  | c. | ​indeterminable | |  | d. | ​none of the above |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 60. ​If a security is undervalued, some investors would capitalize on this by purchasing that security. As a result, the security's price will \_\_\_\_, resulting in a \_\_\_\_ return for those investors.   |  |  |  | | --- | --- | --- | |  | a. | ​rise; lower | |  | b. | ​fall; higher | |  | c. | ​fall; lower | |  | d. | ​rise; higher |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 61. ​The credit crisis in the 2008–2009 period was caused by weak economies in Asia.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 62. ​\_\_\_\_ are classified as depository institutions.   |  |  |  | | --- | --- | --- | |  | a. | ​Credit unions | |  | b. | ​Pension funds | |  | c. | ​Finance companies | |  | d. | ​Securities firms |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 63. ​The main reason that depository institutions experienced financial problems during the credit crisis was their investment in:   |  |  |  | | --- | --- | --- | |  | a. | ​mortgages | |  | b. | ​money market securities. | |  | c. | ​stock | |  | d. | ​Treasury bonds. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 64. ​Those financial markets that facilitate the flow of short-term funds (with maturities of less than one year) are known as capital markets, while those that facilitate the flow of long-term funds are known as money markets.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 65. ​Bonds commonly have maturities of one to three years.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 66. ​Since markets are efficient, institutional and individual investors should ignore the various investment instruments available.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 67. ​Speculating with derivative contracts on an underlying asset typically results in both higher risk and higher returns than speculating in the underlying asset itself.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 68. ​When security prices fully reflect all available information, the markets for these securities are said to be perfect.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 69. ​Securities that are not as safe and liquid as other securities are never considered for investment by anyone.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 70. ​By requiring full disclosure of information, securities laws prevent investors from making poor investment decisions.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 71. ​When a depository institution offers a loan, it is acting as a creditor.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 72. ​Savings institutions are a type of nondepository institution.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 73. ​Most mutual funds raise funds by issuing securities and then lend the funds to individuals and small businesses.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 74. ​Institutional investors not only provide financial support to companies but also exercise some degree of governance over them.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 75. ​Which of the following is not a reason why depository financial institutions are popular?   |  |  |  | | --- | --- | --- | |  | a. | ​They offer deposit accounts that can accommodate the amount and liquidity characteristics desired by most surplus units. | |  | b. | ​They repackage funds received from deposits to provide loans of the size and maturity desired by deficit units. | |  | c. | ​They accept the risk on loans provided. | |  | d. | ​They use their information resources to act as a broker**,** executing securities transactions between two parties. | |  | e. | ​They have more expertise than individual surplus units in evaluating the creditworthiness of deficit units. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Analysis | |

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| 76. ​Which of the following are not considered money market securities?   |  |  |  | | --- | --- | --- | |  | a. | ​Treasury bills | |  | b. | ​mortgage-backed securities | |  | c. | ​negotiable certificates of deposit | |  | d. | ​commercial paper |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 77. ​\_\_\_\_ are not considered capital market securities.   |  |  |  | | --- | --- | --- | |  | a. | ​Derivative securities | |  | b. | ​Treasury bonds | |  | c. | ​Corporate bonds | |  | d. | ​Equity securities | |  | e. | ​Mortgages |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 78. ​\_\_\_\_ are long-term debt obligations issued by corporations and government agencies to support their operations.   |  |  |  | | --- | --- | --- | |  | a. | ​Common stock | |  | b. | ​Derivative securities | |  | c. | ​Bonds | |  | d. | ​None of the above |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 79. ​Which of the following is an example of an asymmetric information problem?   |  |  |  | | --- | --- | --- | |  | a. | ​A corporation releases toxic wastes into a river. | |  | b. | ​A corporation relocates to Ireland to take advantage of lower corporate tax rates. | |  | c. | ​A stock analyst rates a stock higher than it deserves because the securities firm she works for wants to obtain business from the corporation that issued the stock. | |  | d. | ​A corporation manipulates its financial information to avoid disclosing a large loss from its operations in China. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 80. ​If investors speculate in derivative contracts rather than in the underlying asset, they will probably achieve \_\_\_\_ returns, and they are exposed to relatively \_\_\_\_ risk.   |  |  |  | | --- | --- | --- | |  | a. | ​lower; lower | |  | b. | ​lower; higher | |  | c. | ​higher; lower | |  | d. | ​higher; higher |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 81. ​When particular securities are perceived to be \_\_\_\_ by the market, their prices decrease when they are sold by investors.   |  |  |  | | --- | --- | --- | |  | a. | ​undervalued | |  | b. | ​overvalued | |  | c. | ​fairly priced | |  | d. | ​efficient | |  | e. | ​none of the above |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 82. ​Which of the following are not considered depository financial institutions?   |  |  |  | | --- | --- | --- | |  | a. | ​finance companies | |  | b. | ​commercial banks | |  | c. | ​savings institutions | |  | d. | ​credit unions | |  | e. | ​All of the above are depository financial institutions. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 83. ​The main source of funds for \_\_\_\_ is proceeds from selling securities to households and businesses, while their main use of funds is providing loans to households and businesses.   |  |  |  | | --- | --- | --- | |  | a. | ​savings institutions | |  | b. | ​commercial banks | |  | c. | ​mutual funds | |  | d. | ​finance companies | |  | e. | ​pension funds |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 84. ​Which of the following statements is incorrect?   |  |  |  | | --- | --- | --- | |  | a. | ​Financial markets attract funds from investors and channel the funds to corporations. | |  | b. | ​Money markets enable corporations to borrow funds on a short-term basis so that they can support their existing operations. | |  | c. | ​Financial institutions serve solely as intermediaries with the financial markets and never serve as investors. | |  | d. | ​Investors seek to invest their funds in the stock of firms that are presently undervalued and have much potential to improve. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.03 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Analysis | |

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| 85. ​Which of the following requires mortgage lenders to verify the income, job status, and credit history of mortgage applicants before extending a mortgage?   |  |  |  | | --- | --- | --- | |  | a. | ​Mortgage Lenders Reform Act | |  | b. | ​Financial Reform Act of 2010 | |  | c. | ​Securities Act of 1933 | |  | d. | ​Sarbanes-Oxley Act |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 86. ​Debt securities issued by a small firm may be \_\_\_\_\_\_\_\_, meaning that \_\_\_\_\_\_\_ investors want to invest in those securities.   |  |  |  | | --- | --- | --- | |  | a. | ​liquid; many | |  | b. | ​liquid; not many | |  | c. | ​illiquid; not many | |  | d. | ​illiquid; many |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.01 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 87. ​Valuing stocks is easier than valuing debt securities because stocks promise to provide investors with specific payments at regular intervals.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 88. ​\_\_\_\_\_\_\_\_\_\_\_\_ applies psychology to financial decisions and offers an explanation for why markets are not always efficient.   |  |  |  | | --- | --- | --- | |  | a. | ​Psychological marketing | |  | b. | ​Behavioral finance | |  | c. | ​Inefficient markets theory | |  | d. | ​Financial psychology |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 89. ​International integration of securities markets allows:   |  |  |  | | --- | --- | --- | |  | a. | ​governments and corporations to have easier access to funding from creditors and investors in other countries. | |  | b. | ​investors and creditors to benefit from investment opportunities in other countries. | |  | c. | ​one’s country’s financial problems to adversely affect other countries. | |  | d. | ​All of the above |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Analysis | |

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| 90. ​The foreign exchange market facilitates the exchange of:   |  |  |  | | --- | --- | --- | |  | a. | ​information between investors in different countries. | |  | b. | ​debt securities. | |  | c. | ​equity securities. | |  | d. | ​currencies. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 91. ​Which of the following is *not* an example of the government’s recent increased role in financial markets?   |  |  |  | | --- | --- | --- | |  | a. | ​the Federal Reserve’s purchase of debt securities during the credit crisis | |  | b. | ​regulations changing the way that the credit risk of bonds is assessed | |  | c. | ​regulations setting maximum rates for Treasury securities | |  | d. | ​increased monitoring of stock trading and prosecution of those who trade on inside information |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 92. ​Most of the funds that insurance companies receive from premiums are invested in short-run money market securities.   |  |  |  | | --- | --- | --- | |  | a. | ​True | |  | b. | ​False |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.02 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Comprehension | |

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| 93. ​The risk that financial problems could spread among financial institutions and across financial markets, causing a collapse of the financial system, is known as:   |  |  |  | | --- | --- | --- | |  | a. | ​systemic risk. | |  | b. | ​leverage risk. | |  | c. | ​financial meltdown risk. | |  | d. | ​credit risk. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.04 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Knowledge | |

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| 94. ​Systemic risk exists because:   |  |  |  | | --- | --- | --- | |  | a. | ​there is no government regulation of financial markets. | |  | b. | ​financial institutions invest in similar securities and therefore are similarly exposed to large declines in prices of those securities. | |  | c. | ​financial institutions borrow using long-term debt securities but lend their funds for short-term periods. | |  | d. | ​financial institutions invest heavily in Treasury securities and therefore are exposed to the possibility that the government will default on its debts. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *LEARNING OBJECTIVES:* | FMAI.MADU.15.01.04 | | *NATIONAL STANDARDS:* | United States - BUSPROG.FMAI.MADU.15.03 | | *STATE STANDARDS:* | United States - OH - DISC.FMAI.MADU.15.02 | | *KEYWORDS:* | Bloom's: Analysis | |