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| ​Match each item with the correct statement below.

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| a.  | ​bond |
| b.  | ​capital market  |
| c.  | ​equities   |
| d.  | ​futures contract  |
| e.  | ​financial system   |
| f.  | ​portfolio diversification  |
| g.  | primary market ​ |
| h.  | ​risk   |
| i.  | ​savings |
| j.  | ​secondary market   |

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| 1. ​an agreement to buy or sell at a specific date in the future at a predetermined price |

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| 2. ​stocks that represent ownership shares in corporations |

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| 3. ​the dollars that become available for investors to use when others refrain from consuming  |

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| 4. ​formal contract to repay borrowed money and interest on the borrowed money at regular future intervals |

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| 5. ​a market in which all financial assets can be sold to someone other than the original issuer |

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| 6. ​a market in which financial capital is loaned and/or borrowed for at least one year  |

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| 7. ​a situation in which the outcome is not certain, but the probabilities can be  estimated  |

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| 8. ​a strategy of holding different kinds of investments to a minimize risk  |

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| 9. ​a market in which only the original issuer can sell or repurchase a financial asset  |

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| 10. ​a network of savers, investors, financial assets, and financial institutions that work together to transfer savings to investment uses |

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| ​*Write the letter of each term before the phrase that describes it.*

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| a.  | ​bond |
| b.  | ​par value |
| c.  | ​savings bonds  |
| d.  | ​Treasury bonds  |
| e.  | ​Individual Retirement Accounts (IRAs)  |

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| 11. ​low-denomination, nontransferable bond issued by the federal government  |

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| 12. ​retirement account of long-term time deposits of annual contributions that are tax free until withdrawn during retirement. |

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| 13. ​contract to repay borrowed money and interest on borrowed money at regular future intervals |

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| 14. ​United States government bond with maturity of 30 years  |

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| 15. ​the principal of a bond or total amount borrowed   |

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| 16. What kind of fund collects and invests income for later payments to eligible recipients?​ |

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| 17. ​What is the main advantage of a mutual fund for an investor?  |

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| 19. ​ Describes the role of the consumer in the flow of the financial system?

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| 20. ​ What term describes a strong stock market. |

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| 21. ​Investment analysts recommend people to make investments in \_\_\_\_. |

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| 22. ​What would give an investor an overall picture of the value of the market?

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|   | a.  | ​the Dow Jones Industrial Average |
|   | b.  | ​the spot market |
|   | c.  | ​the options market |
|   | d.  | ​the Efficient Market Hypothesis  |

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| 23. A *call option* lets investors cancel a contract to \_\_\_\_\_\_ commodities whereas a *put option* lets them \_\_\_\_\_\_.​

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| 24. ​How can investors purchase equities?

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| 25. ​What is a mutual fund

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| 26. ​What is the main difference between Treasury bonds, Treasury notes, and Treasury bills? |

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| 27. All of the following parts make up the *circular flow of finance* except​

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|   | a.  | ​savings |
|   | b.  | ​financial entities  |
|   | c.  | ​financial assets |
|   | d.  | ​financial intermediaries |

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| 28. ​Who issues tax exempt municipal bonds?

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|   | a.  | ​local commercial banks |
|   | b.  | ​local credit unions |
|   | c.  | ​state and local governments |
|   | d.  | ​federal and state governments  |

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| 29. ​The rate of return on a corporate, municipal, or government bond is its \_\_\_\_.

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|   | a.  | ​par value  |
|   | b.  | ​compensation rate |
|   | c.  | ​interest rate  |
|   | d.  | ​coupon rate |

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| 30. *Current yield* is a bond's annual coupon interest divided by the

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|   | a.  | ​purchase price  |
|   | b.  | ​coupon rate |
|   | c.  | ​par value |
|   | d.  | ​bond value |

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| 31. ​What are future contracts  |

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| 32. The monthly or quarterly fee for a life insurance policy is called the​

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|   | a.  | ​pension |
|   | b.  | ​fund |
|   | c.  | ​asset |
|   | d.  | ​premium |

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| 33. ​Which type of financial organization is a nonprofit service cooperative?

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|   | a.  | ​commercial bank  |
|   | b.  | ​mutual fund  |
|   | c.  | ​insurance company  |
|   | d.  | ​credit union |

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| 34. ​When making a risky investment, investors usually demand a \_\_\_\_.

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|   | a.  | ​higher compensation |
|   | b.  | ​higher selling price |
|   | c.  | ​lower compensation |
|   | d.  | ​lower purchasing price |

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| 35. ​Junk bonds usually have low ratings because \_\_\_\_\_.

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|   | a.  | ​they are not risky investments  |
|   | b.  | ​they have a low rate of return ​ |
|   | c.  | they are a high-risk investment |
|   | d.  | ​they have a low risk of default |

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**Answer Key**

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| 1. d |

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| 2. c |

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| 3. i |

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| 4. a |

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| 5. j |

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| 6. b |

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| 7. h |

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| 8. f |

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| 9. g |

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| 10. e |

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| 11. c |

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| 12. e |

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| 13. a |

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| 14. d |

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| 15. b |

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| 16. c |

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| 17. b |

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| 18. d |

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| 19. a |

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| 20. a |

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| 21. b |

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| 22. a |

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| 23. d |

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| 24. a |

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| 25. c |

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| 26. b |

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| 27. b |

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| 28. b |

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| 29. a |

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| 30. b |

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| 31. c |

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| 32. d |

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| 33. a |

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| 34. a |

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| 35. c |

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| 36. c |

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| 37. b |

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| 38. d |

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| 39. a |

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| 40. c |

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| 41. a |

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| 42. d |

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| 43. b |

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| 44. a |

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| --- |
| 45. c |