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| ​Match each item with the correct statement below.   |  |  | | --- | --- | | 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.*   |  |  | | --- | --- | | 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 ​retirement account of long-term time deposits of annual contributions that are tax free until withdrawn during retirement.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?   |  |  |  | | --- | --- | --- | |  | 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​   |  |  |  | | --- | --- | --- | |  | a. | ​savings | |  | b. | ​financial entities | |  | c. | ​financial assets | |  | d. | ​financial intermediaries | |

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| 28. ​Who issues tax exempt municipal bonds?   |  |  |  | | --- | --- | --- | |  | 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 \_\_\_\_.   |  |  |  | | --- | --- | --- | |  | 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   |  |  |  | | --- | --- | --- | |  | 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​   |  |  |  | | --- | --- | --- | |  | a. | ​pension | |  | b. | ​fund | |  | c. | ​asset | |  | d. | ​premium | |

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

**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 |