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Section 1: Guided Reading and Review

(S) Money	
A. As You Read As you read Section 1, supply the requested information in the spaces pro	ovided.
නම් කරන සිට	
Describe the three uses of money.	· · · · · · · · · · · · · · · · · · ·
	January State of Bridge
	the second section of the second
Define the six characteristics of money.	$(x,y) = (x,y) \cdot \frac{\partial x}{\partial x} \cdot \frac{\partial y}{\partial x} = (x,y) \cdot \frac{\partial y}{\partial x} $
•	
	or and the state of the state o
3. Reviewing Key Terms	to the second se
Match the definitions in Column I with the terms in Column II. Write	the letter of the correct
nswer in the blank provided.	$(x,y) = \sum_{i=1}^{n} (x_i - x_i)^{-1} \sum_{i=1$
Column !	Column II
10. something that keeps its value if held	a. barter
11. objects that have value because the holder can exchange them something else of value	to for b. store of value c. fiat money
12. money that has value because the government says it is accept for paying debts	•
13. anything that is used to determine value during the exchange goods and services	of f. medium of exchange
14. exchange of one set of goods or services for another	g. commodity money
15. coins and paper bills used as money	h. unit of account
16. way to compare the value of goods and services relative to ea	i. representative money
17. anything used as a medium of exchange, a unit of account, a store of value	nd a
18. objects that have value in themselves as well as for their use a	

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Section 1: Quiz	
Money	

A. Key Term

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Colu	mn I	•	Column II
	1. anything that is used to determine valu	ie.	a. barter
	2. the direct exchange of one good for an	other	b. currency
	3. something that serves as a way to com	pare values	c. store of value
	4. something that keeps its worth		d. medium of exchange
· postovenomento-o	5. the coins and paper bills used as mone	y in a society	e. unit of account
8. M	ain Ideas		
Write	the letter of the correct statement ending in	the blank provided.	•
	6. The fact that money must withstand the over and over again is a measure of its a. portability.b. currency.		om being used
	7. Money that can be easily divided into characteristic ofa. divisibility.b. denominations.	smaller units of value has the c. exchange. d. durability.	
	8. Objects that have value in themselves a are calleda. currency.b. commodity money.	c. simple money. d. custom.	ns of exchange
Teleporari	 9. The difference between representative a. representative money can be converted. b. representative money is worth more actually worthless. c. fiat money is counted in coins; reprededlars. d. fiat money is more traditional than a concept. 	ted into silver or gold; fiat mo per dollar than fiat money, w sentative money is counted in	ney cannot. hich is paper
		nust be the same in terms of w c. pricing. d. uniformity.	hat they will

NAME	CLASS	DATE	



Section 2: Guided Reading and Review

The History of American Banking

A. As You Read

As you read Section 2, fill in two supporting facts or details under each main idea by answering each question.

Main Idea: Before the Civil War, banking in the United States shifted between a centralized system and independent state and local banks.

em	and independent state and local banks.
1.	What were the first two attempts to centralize U.S. banking, and when were they in operation?
2.	What problems were associated with the Free Banking Era (1837–1863), dominated by state-chartered banks?
Via	in Idea: Reforms of the late 1800s stabilized the banking system.
3.	How did the National Banking Acts of 1863 and 1864 promote stability?
4.	How did the gold standard promote stability?
\m	in Idea: Banking reforms early in the twentieth century helped strengthen and centralize erican banking. How did the Federal Reserve System, established in 1913, begin to manage the money supply?
6.	What guarantee was made available to bank customers in 1933?
	Reviewing Key Terms In a sentence by writing the correct term in the blank provided.
	One advantage of the was that the government could only issue currency if it had gold in the treasury to back it.
8.	The was a paper currency printed with green ink that was issued by the U.S. Treasury during the Civil War but not backed by gold or silver.
9.	A(n) receives, keeps, and lends money.
0.	The nation's central banking system is the

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Section 2: Quiz

The History of American Banking



A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I	Column II
1. an institution for receiving, keeping, and lending money	a. FDIC
2. the central banking system of the United States	b. bank
3. a government institution that covers bank accounts against bank failure	c. greenback
4. a paper money that was issued by the U.S. Treasury during the Civil War	d. Federal Reserve
B. Main Ideas	•
Write the letter of the correct answer in the blank provided.	·
5. What is the gold standard? a. a system that uses actual gold coins as a country's money b. a system in which a country's money is backed with gold c. a currency system in which each dollar is worth \(^{1}\)20 of a pound of gold d. a money system in which the paper currency is good in more than one of	country
 6. When was the first Bank of the United States formed by the Federalists? a. during the American Revolution b. in the late eighteenth century c. in the first quarter of the nineteenth century d. after the Civil War 	
7. During the Free Banking Era, between 1837 and 1863, banking in the Unwas dominated by which of the following? a. small, independent banks with no charters b. the national bank of the United States c. state-chartered banks d. savings and loan bank	
8. After the Civil War, the National Banking Acts gave the federal government power to do all of the following except? a. insure banks against failure. b. charter banks. c. require banks to hold adequate gold and silver. d. have a single national currency.	ent the
 9. As part of the nation's recovery from the Great Depression of the 1930s, banking system was reformed in which of the following ways? a. The government paid off loans for large corporations. b. The Federal Reserve Banks were closed. c. Banks were deregulated by the government. d. The banking system was taken off the gold standard. 	the
 The savings and loan crisis in the late twentieth century was caused at lead by which of the following? a. lack of checking accounts and inadequate business loans b. inadequate money supply and lack of federal coverage of savings and lock overly strict regulation, low interest rates, and lack of consumer confidents. 	oan banks



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Section 3: Guided Reading and Review Banking Today

A. As You Read As you read Section 3, supply the reque	ested information	on the lines	provided.	ė.
Define M1.	•		•	•
1.		•		
		,	·	
Define M2.		-	•	•
2	•			
•				· •
			· · · · · · · · · · · · · · · · · · ·	
List five services that banks offer.	100			
3.	•		ww.	
4.			. •	-
5.				
6. 7.				
Describe four types of financial instituti 8. 9. 10.			· .	
8. Reviewing Key Terms		·		
Define the following terms.				
12. money supply	· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·		
13. liquidity		•	<u> </u>	
14. demand deposit				· · · · · · · · · · · · · · · · · · ·
45. money market mutual fund				······································
16. fractional reserve banking		to the state of th		······································
17. default			<u> </u>	
18. mortgage	en e		, , , , , , , , , , , , , , , , , , ,	<u> </u>
9. credit card	<u>, tip dit a te</u>		. 1. 1. 1	e tyše italije.

20. interest ___21. debit card22. creditor __

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Section 3: Quiz Banking Today



A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Colum		Column II
724	1. device that allows its holder to buy goods based on a promise to pay	a. default
	2. specific type of loan that is used to buy real estate	b. fractional reserve banking
	 system that keeps only a small part of a deposit on hand and lends out the rest 	c. mortgage
	4. failure to pay back a loan	d. credit card
	5. device that allows its holder to buy goods and have the payment deducted from a checking account	e. debit card
n 80-:	n Idaaa	
-	n Ideas ne letter of the correct answer in the blank provided.	
·	 6. What is the difference between simple and compound interest? a. Simple interest is paid as long as the money stays in the bank; compound only paid for a year at a time. b. Simple interest is paid once a year; compound interest is paid at least quarc. Simple interest is paid on the principal only; compound interest is paid on principal and interest. d. Simple and compound interest are two names for the same thing. 	terly.
	 7. The money supply of a country is made up of which of the following? a. only the M1 money available in an economy b. only the M2 money available in an economy c. all the money available in an economy d. all the money available in an economy plus money that the country could 	borrow
·	 8. Why are funds in checking accounts called demand deposits? a. They are available whenever the depositor writes a check for them. b. They can be paid to anyone who writes and presents a check for them. c. They will be paid without a check being drawn if necessary. d. They are kept without interest by the bank. 	
	 9. What is a credit union? a. a bank that takes deposits but does not make loans b. a bank that specializes in retirement savings accounts c. a modified type of savings and loan that makes loans for housing d. a cooperative lending institution for a particular group 	
1	 a. by collecting fees on credit card purchases b. by collecting fees on safety deposit boxes, traveler's checks, and certified c. by receiving fees from the government for handling federal and state account. 	

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Graphs and Charts Understanding Public Opinion Polls

Mr. Galbraith's economics class was asked to conduct public opinion polls on banking fees and services, exploring the need to control fees versus the desire for new or more flexible services. Half of the class conducted Poll A; the other half conducted Poll B. Review the Economic Skills. feature on page 249 of your textbook. Then analyze the questions in and responses to the two polls shown below and answer the questions that follow.

Banking Services and Fees

"Busy Americans need more flexibility in all areas of their lives, including their banking, but at the same time, banks have increased fees more than 10 percent in the last two years. Keeping that in mind, do you agree or disagree with the following statements?"

Statement	Agree	Disagree
A. "Americans have a right to expect flexible banking and a wide range of services at a reasonable cost."	79%	21%
B. "Bank fees accurately reflect the cost to develop new and more flexible services."	48%	52%
C. "The government should restrict the amount of fees banks can charge for special services."	57%	43%

Banking Services and Fees

"Busy Americans are demanding more services and more flexibility in their banking, leading to an average increase in banking fees of more than 10 percent in the last two years as banks attempt to meet that demand. Keeping that in mind, do you agree or disagree with the following statements?"

Statement	Agree	Disagree
A. "Americans have a right to expect flexible banking and a wide range of services."	76%	24%
B. "Increased banking fees allow banks to offer more flexibility and a wider range of services."	58%	42%
C. "Government intervention in setting banking fees may interfere with a bank's ability to develop new services."	. 55%	45%

1.	What is the purpose of the polls?
2.	Point out key words and phrases in the introductions to Poll A and Poll B that show a bias in favor of banks or in favor of consumers.
3.	Why do you think a larger percentage of people agree with statement A in Poll A than with statement A in Poll B?
4.	What argument might a banker make using the results from statement C in Poll B?
5.	If you were a politician trying to get accurate information about the public's opinion on banking fees, how would you rephrase the three statements in these polls?
	a
	b.
	C.
•	

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Vocabulary Practice



Each of the sentences below has to do with money and banking. Complete each sentence and use it as a clue to help you supply the missing letters in the corresponding numbered item.

it as	a clue to help you supply the missing letters in the	corresponding numbered nem.
	M	The state of the s
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6.	* <u> </u>	
7.	N	
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9.	В	
10.	A	
11.	N	
12.	K	
13.	I	and market
14.	_ N	•
15.	G	
1.	All the money available in the United States is	8. Money is used as a(n)
	called the	 Without money, people use a system of to exchange goods and services.
2.	A change to the encouraged public confidence in the nation's currency.	10. Sometimes borrowers, or fail to pay back
٠.	serves as a medium of exchange, a unit of	their loans.
э.	account, and a store of value.	11. Money that is valuable because the government
4.	During the Civil War, the U.S. Treasury issued	says so is called
	, a paper currency printed with green ink.	12. Most people keep their money in a(n)
5.	The M1 category of money consists of assets that have, or easy availability.	13. Salt, cattle, and precious stones have been used as in various societies.
6.	A(n) can be convenient for making pur- chases, but it can encourage users to spend	14. The price paid for the use of borrowed money is called
 7.	more than they intended to spend. Paper bills and coins are known as	15. When people buy a new home, they usually have to take out a(n)

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Section 1: Guided Reading and Review Saving and Investing



A. As You Read

As you read Section 1, supply the missing information about the functions of the financial intermediaries in the chart below.

inancia/Untermedianes	Functions				
I. Banks, Savings and Loan Associations, Credit Unions		. : ••			
			<u>-</u>	• •	-
2. Finance Companies	2.				
·					
,					
3. Mutual Funds	3.				
					-
4. Life Insurance Companies	4.				÷
5. Pension Funds	5.			•	
•					

B. Reviewing Key Terms

Complete each sentence by writing the correct key term in the blank provided.

- 6. Before putting money into mutual funds, a potential investor can review the fund's performance in its ______.
- 7. The use of assets to earn income or profit constitutes a(n)
- 8. To transfer money between savers and borrowers, allowing investment to take place, an economy needs a(n)
- 9. Securities is another name for ______
- 10. The lower the risk in an investment, the lower its
- 11. The collection of all one's financial assets makes up one's



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Section 1: Quiz

Saving and Investing

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column			Column II
1.	redirecting resources from being consumed today to creat	e future	a. financial system
	benefits	**	b. portfolio
2.	arrangement that allows the transfer of money between something borrowers	avers and	c. investment
3.	institution that helps channel funds from savers to borrow	wers	d. financial intermediary
4.	spreading out investments to reduce risk		e. diversification
5.	collection of financial assets		•
B. Main	ldeas		
Write the	letter of the correct answer in the blank provided.		
6.	What is the money an investor receives above and beyond invested called? a. savings b. liquidity c. return d. investme		initially
7.	What is a prospectus? a. a pool of money from various investors b. a report monitoring an individual's investments c. a collection of financial assets d. an investment report for potential investors	•	
8.	 Why is a certificate of deposit considered such a safe invea. It is issued by a savings bank. b. It is guaranteed by the federal government. c. It pays a relatively low rate of interest. d. It cannot be redeemed whenever the investor wants the 		
9.	 What is a mutual fund? a. a device for pooling the savings of many investors and in b. a group that makes loans to investors who sometimes heack their loans c. a group that borrows money from many different source. d. a company that collects money from people to insure the loss of income 	nave a history ces to lend to	of not paying its members
10.	 How does a pension fund act as an investor? a. The fund lends money to those who are also investors it. b. The company invests the money collected from employed. c. The company uses money collected from the employed company. d. The fund uses its own money to invest, not the money it. 	ers and/or en s as a fund to	finance the

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Section 2: Guided Reading and Review Bonds and Other Financial Assets



	How does an investor earn money by buying bonds at a discount?
	What are Standard & Poor's and Moody's ratings based on?
•	What advantages do bonds offer to firms that issue them?
•	What disadvantage do bonds present for the issuer?
•	(a) What types of government bonds are available to investors?
	(b) Which type offers the greatest tax advantage?
•	What three organizations help ensure value and prevent dishonesty in the bond market?
•	(a) What is the investment advantage of money market mutual funds over CDs and savin accounts?
	(b) What is the disadvantage?
•	(a) In financial asset markets, how do capital markets differ from money markets?
	(b) How do primary markets differ from secondary markets?
2	leviewing Key Terms ine the following terms.
	the the following territor
efi	
efi	maturitycorporate bond

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Section 2: Quiz

Bonds and Other Financial Assets

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Colun		COMMAN III
	1. amount that an investor pays to buy a bond	a. coupon rate
	2. time at which payment is due to a bondholder	b. maturity
	3. low-denomination bond issued by the U.S. government	c. par value
	4. bond issued by a state or local government authority	d. savings bond
	5. interest rate that a bond issuer will pay to a bondholder	e. municipal bon
B. Ma	in Ideas	· · · · · · · · · · · · · · · · · · ·
	the letter of the correct answer in the blank provided.	
	 6. What is a corporate bond? a. a bond issued by a local government but sold by a corporation b. a bond issued by a corporation as a way to borrow money c. a high-risk investment in the proceeds of a corporation d. another name for corporate stock 	
***************************************	7. What is the Securities and Exchange Commission? a. an independent agency that advises the government about fina b. a government agency that sells treasury bonds and other U.S. fi c. a government agency that regulates financial markets and inve d. a privately owned investment corporation that sells bonds and	nancial obligations struent companies
	 8. Why would investors buy a junk bond? a. They want to invest in a particular company although it may to the bound of the bound o	ond will pay off. egular bonds.
	 9. What is the difference between a primary market and a seconda a. A primary market is financial assets that can be redeemed only investor; a secondary market's assets can be resold. b. A primary market is paid first if a company is in trouble; a secondary is left. c. A primary market is redeemed by a company's assets; a second 	ondary market gets
	redeemed by what is owed to the company. d. A primary market is money lent for less than a year; a secondal lent for a longer time.	ıry market is money
	(0. How does the risk involved in a money market mutual fund cor of a certificate of deposit (CD)? a. The risk of the money market mutual fund is less than that of b. The risk of the money market mutual fund is slightly greater t c. The risk of the money market mutual fund is much greater that 	the CD.

d. The risk of both is about the same.

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Section 3: Guided Reading and Review The Stock Market

A. As You Rea As you read Se provided.		missing information to comple	ete each sentence in	the spaces
-	cs pay	· · · · · · · · · · · · · · · · · · ·		·
2. Growth stoc	ks can be profitable	because they		*
		s when they		
4. Investors suf		en they		
5. Stocks are ris		cause		
			i.	~~····································
6. Blue chip sto	cks are traded on th	e		· · · · · · · · · · · · · · · · · · ·
_				
B. Reviewing Match the desc answer in the b	riptions in Column	I with the terms in Column II will not use all the terms.	. Write the letter of	the correct
Column I			Column II	•
9. stead	y, extended rise in s	tock market	a. stockbroker	
10. electr	onic marketplace fo	or stock not listed on an	b. options	
orgai	nized exchange	• . •	c. bear market	
11. claim	s of ownership in a	corporation	d. Great Crash	
	ng high-risk investn hope of getting a l	nents with borrowed money oig return	e. brokerage fir	m
13. mark	et for buying and se	elling stock	f. bull market	
		and sellers of stocks	g. equities	
	collapse of the stoo	•	h. OTC market	
	less specializing in t	entra de la companya	i. speculation	•
		at a specific price and time	j. stock exchan	ge .

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Section 3: Quiz The Stock Market

A.	Key	Terms
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Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column 1	Commin II
1. period during which the stock market falls steadily	a. OTC market
2. business that specializes in trading stocks	b. capital gains
3. difference between a higher selling price and a lower buying price realized by the seller of stock	c. brokerage fitd. option
4. electronic marketplace for stock that is not listed or traded on an organized exchange	e. bear market
5. contract that gives an investor the right to buy or sell stock	and the second
B. Main Ideas Write the letter of the correct answer in the blank provided.	. A
 6. What does the New York Stock Exchange do? a. buys and sells stocks but not bonds for private investors who hamounts of money to invest b. arranges stock and bond trading of the largest and most established United States c. handles stock and bond trading on the Internet d. arranges the buying and selling of blue chip stocks only 	·
 7. What kind of stockbroker is a daytrader? a. one who deals with the U.S. market only and does not trade in b. one who specializes in certain kinds of stocks that are related t day needs c. one who buys and sells stocks on a minute-by-minute basis to t d. one who will not wait until the next day to trade a stock 	o people o day co
8. What are the Dow and the S&P 500? a. averages of stocks and bonds that are traded often b. cumulative records of all stocks sold on the NYSE and other n c. indexes that track the sales of all the stocks and bonds in the U d. indexes that show the performance of limited but representation	ve stocks
 9. What was one outcome of the stock market's Great Crash in 19 more than 50 years? a. Ordinary people were afraid to invest in the stock market. b. Financial ruin affected millions of people who had not been in c. Millions of people were kept out of work. d. Money was hard to borrow. 	29 that lasted for
a. investing in a type of stock the buyer knows little about b. making small, high-risk investments with surplus money c. making high-risk investments with borrowed money	and the State of Stat

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Graphs and Charts Reading a Stock Market Report



Trish is studying for an economics test and knows she will be asked questions about the stock market and stock listings. To help her, Cole prepares a table tracking three stocks over a three-day period. Then he prepares a set of tips and questions. See how well you would do on Cole's study guide if you were Trish.

	52 00	eelc		1	Yile	lo.		Vol.				Net
. ,	High	Low	Stock	Sym.	Div.	%	PE	100s	High	Low	Close	Chg.
Day 1	25:75	16.50	Gartner	IT.	1.19	7.0	17	11309	17.00	14.25	17.00	+.44
	122.50	69.00	GenElec	GE	1.40	1.1	40	49631	121.13	118.06	119.25	-2.75
	78.50	38.94	GenMot	GM	2.00	3.1	9	14712	64.31	63.13	63.63	-1.69
Day 2	25.75	16,50	Gartner	IT	1.19	7.2	17	2682	18.50	14.25	16.31	69
•	122.50	69.00	GenElec	GE	1.40	1.2	39	25220	122.50	115.63	118.00	-1.25
	78.75	38.94	GenMot	GM	2.00	3.2	8	8640	65.08	62.00	62.06	-1.57
Day 3	25.75	16.50	Gartner	· IT	1.19	6.9	17	11861	18.00	15.00	17.31	+1.00
	122.50	69.00	GenElec	GE	1.40	1.2	39	67150	120.25	115.00	117.13	87
	78.50	38.94	GeniViot	GM	2.00	2.9	14	23322	70.19	68.88	69.00	+6.94

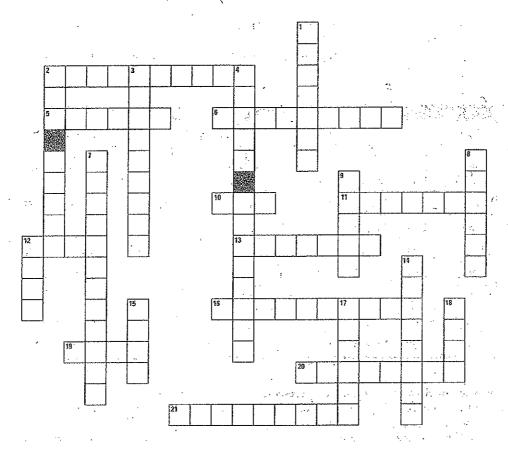
	stock listing on page 287 of your textbook, then study Cole's table. (a) What company uses the symbol GM? (b) What is the symbol for Gartner? (c) How many shares of General Electric were sold on Day 1? (d) On which day was the largest number of GE shares sold? (e) What was the highest price paid for General Motors stock on Day 1 and for the past 52 weeks?
2.	Compute the value of your stock. (a) How much did one share of Gartner cost at the close of market on Day 1 and Day 3?
٠÷:	T 03
3.	Determine general trends in the stock market. Before buying a stock, a wise investor will track its performance to see if its price has been generally going up or going down. (a) Which of the three stocks is trading closest to its high price for the year?
	- 1405 2 3 3 4 5 3 5 1 5 1 5 3 5 5 5 5 5 5 5 5 5 5 5 5

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Vocabulary Practice



Use the following clues to complete the crossword puzzle.

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,	v		u	w	u

- 2. An investment report to potential investors is a(n) _____.
- 5. Money investors receive beyond their original investment is the _____.
- 6. A(n) _____ bond is issued by a corporation to raise money for business expansion.
- 10. The short name for the Securities and Exchange Commission is the _____.
- 11. A(n) ____ bond is issued by the U.S. government.
- 12. A steady drop in the stock market over time is called a(n) ____ market.
- 13. An electronic market that trades stock not listed on an organized exchange is termed over-the-____
- 16. Using assets to earn income or profit constitutes a(n) _____.

- Selling stock at a price higher than the original purchase price brings the seller a capital
- 20. Claims of ownership in a corporation are known as _____.
- 21. ____ bends are issued by local governments for public improvements.

Down

- Contracts that allow investors to buy or sell a stock at a particular price within a specified time are
- 2. The purchase price of a bond, which is to be repaid at maturity, is the bond's _____,
- 3. A collection of financial assets makes up an investor's _____.
- 4. A market for buying and selling stock is known as a(n)

- 7. An institution that helps channel funds from savers to borrowers is a financial
- 8. A financial ____ allows the transfer of money between savers and borrowers.
- A claim on the property or income of a borrower is a financial _____.
- 12. A steady rise in the stock market over time is known as a(n) _____ market.
- 14. Payment is due to a bondholder at the time of the bond's
- 15. _____bonds are lower-rated, potentially higher-paying bonds.
- 17. A(n) ____ fund pools and invests savings from many individuals.
- Selling for a price lower than the purchase price leaves the investor with a capital

Economic Detective

Sylvestor and Frugala investor



Problem

December is approaching, and Sylvestor Investor is anticipating a year-end bonus of \$10,000. Sylvestor and his wife, Frugala, agree to invest the money rather than spend it. Sylvestor is so eager that he begins daytrading in November, losing almost the whole month's paycheck. Alarmed, Frugala packs up his computer and sends it to her cousin Wilder in the Australian outback. When his bonus arrives, Sylvestor has to find other ways to put his money to work.

Investigation 1

Frugala immediately sends Sylvestor to the bank with his bonus check. There he places all \$10,000 in a savings account, promising himself not to settle for an interest rate of 2.9 percent for any longer than necessary. The bank's financial adviser suggests that Sylvestor consider certificates of deposit or possibly mutual funds, and Frugala suggests that he buy more life insurance. Wilder, in his thank-you letter for the computer, asks if he can borrow \$1,000 to invest in a drive-in theater his buddy wants to build. Sylvestor listens to the suggestions, but still wants to talk to a stockbroker.

- What financial intermediaries does Sylvestor use or consider using?
- 2. Where would Sylvestor go to talk to a stock-broker?
- 3. How does speculation enter the picture?
- 4. If Sylvestor waits a year, how much will he have to invest?

Investigation 2

Frugala is pleased when Sylvestor puts \$2,000 into 10-year state bonds and \$3,000 into 5-year AAA-rated bonds in Steady Hand Hardware, Inc. He buys the four state bonds at a 5 percent interest rate and the three Steady Hand bonds at a 6.5 percent rate. Sylvestor also buys two \$500 bonds from a high-tech firm at 7 percent, due in three years, at a total discount of \$50.

1. (a) What is the maturity for each of the three bond groups Sylvestor buys?

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- (b) The coupon rate? ______(c) The par value? ______
- municipal bonds? ________(b) Corporate bonds? ______
- 3. For which bond purchases did Frugala probably consult Standard & Poor's?

Investigation 3

The financial adviser from Sylvestor's bank suggests a mutual fund that holds a number of popular stocks and gives him an investment report on the fund. Sylvestor's boss also offers to sell him company stock at a low price if he buys it within three months. After some thought, Sylvestor buys \$1,000 worth of Internet stock, \$1,500 worth of blue chip stocks, and \$800 worth of stock in a promising new sportswear company that reinvests its earnings in new growth. He keeps the remaining \$750 to buy company stock from his boss. Finally, he sits back and hopes for a bull market.

- (a) Which of Sylvestor's stocks probably trades over-the-counter?
- (b) On the NYSE?
- 2. (a) For which investment potential does Sylvestor receive a prospectus?
 - (b) An option? __
- 3. From which stock may Sylvestor expect capital gains rather than dividends?
- 4. Why would Sylvestor hope for a bull market?

