

The principal difference between stocks and bonds is that stocks are issued by companies, while bonds are issued by governments.

- True/False

What is meant by market portfolio?

- A market portfolio is a portfolio that seeks to mimic the returns of a well known index, such as the NASDAQ, Dow Jones, or S&P 500.
- A market portfolio is a portfolio of all investable assets, with the amount invested in each asset proportional to the asset's contribution to the total value of all investable assets.
- A specific portfolio of assets determined by the International Monetary Fund.
- A portfolio that contains at least one share of every publicly traded company.

As the yield of a bond increases, its price decreases.

- True/False

What is typically specified by the Call Provision on a corporate bond?

- Call Price & Earliest Callable Date
- Coupon rate and call date
- Original issue discount
- Maturity date and Coupon rate

The owner of which of the following products is most exposed to inflationary risks?

- Treasury bills
- Blue Chip Industrials
- Treasury bonds
- Utility stocks

For every dollar you deposit into a U.S. bank account, the bank is explicitly required by the U.S. government to keep some non-zero percentage of that dollar "in reserve", such that it is available to be withdrawn at any time.

- True/False

A savings account at a bank is guaranteed by which of the following?

- Federal reserve
- The U.S. treasury
- FDIC
- FINRA

What is the so-called "dual mandate" of the Federal Reserve?

- Maximum employment and stable prices
- Regulating banks; maintaining a reliable payment system
- Liquid financial markets and low interest rates
- Low inflation and a strong U.S. dollar

When approximately did the Great Recession occur?

- 1970
- 2008
- 1930
- 2000

What is the best characterization of the efficient markets hypothesis?

- To obtain a higher return, one must take on more risk.
- A liquid market will form for any financial asset.
- Stock prices reflect all publicly available information.
- Even in nominal terms, there is no such thing as a risk free asset.

What of the following relationships is valid?

- $\text{Assets} + \text{Liabilities} + \text{Equity} = 0$
- $\text{Assets} = \text{Equity} - 1 * \text{Liabilities}$
- $\text{Liabilities} - \text{Equity} = \text{Assets}$
- $\text{Liabilities} + \text{Equity} = \text{Assets}$

Which of the following stakeholders has first claim priority in a Chapter 11 proceeding?

- Common stockholders
- Unsecured debt holders
- Preferred stockholders
- Secured debt holders

If the CAPM is accurate, what does the expected excess return of a stock depend on?

- The stock's exposure to the market risk premium and the dividend yield of the stock.
- The stock's exposure to the market risk premium, the size of the company, and the book-to-market ratio of the company.
- The stock's exposure to the market risk premium.
- The particular idiosyncrasies of the company.

Select the terms whose definition is known to you:

Broker-Dealer

Time value of money

Wash sale

Liquidity Preference

Over-the-counter

Idiosyncratic Risk

SEC

Leveraged Buyout

Hedge Fund

Heteroskedasticity

Credit Default Swap

LIBOR

Short Sell

Bond

Reverse Repo

Treasury bond

Security Market Line

Geometric Brownian Motion

Federal Funds Rate

Put Option

SOFR

Call Option

Straddle

Factor Model

Nash Equilibrium

Margin Call

CAPM

GSEs (Fannie, Freddie)

Stock

Liquidity Coverage Ratio

Bid-ask Spread

Random Walk

ETF

SPAC

FDIC

Yield curve

Liquidity Constraint