

**B. Li Finance**  
**Introduction to Financial Analytics**

**Student Workbook**

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## Lesson 1.1 - Introduction to Finance

### Fill in the Blank

1. The definition of finance includes the management, creation, and study of money, investments, credit and debt, \_\_\_\_\_, and investment to finance current projects using future income flows.
2. Finance is closely linked to the time value of money, \_\_\_\_\_, and related topics.
3. The purpose of finance is to facilitate borrowing, lending, investing, and managing financial activities \_\_\_\_\_.
4. \_\_\_\_\_ finance concerns government expenditures, tax systems, budget procedures, etc.
5. \_\_\_\_\_ finance involves managing assets, liabilities, revenues, and debts for a business.
6. \_\_\_\_\_ finance encompasses all financial decisions and activities of an individual or household.
7. \_\_\_\_\_ is anything owned that has value.
8. A \_\_\_\_\_ is a financial statement that shows a company's financial position at a specific time.
9. \_\_\_\_\_ refers to the movement of money into or out of a business.
10. \_\_\_\_\_ interest is interest calculated on the initial principal and also on the accumulated interest from previous periods.

## Answer Key

1. securities
2. interest rates
3. efficiently
4. Public
5. Corporate
6. Personal
7. Asset
8. Balance sheet
9. Cash flow
10. Compound

## Lesson 1.1 - Finance vs Economics

### Multiple Choice

1. Economics focuses on big-picture questions about human behavior related to:
  - a) Banking
  - b) Resource allocation
  - c) Investment strategies
  - d) Risk management
  
2. Finance deals with managing:
  - a) Only money
  - b) Only investments
  - c) Money, banking, credit, investments, and financial systems
  - d) Only banking systems
  
3. The three main categories of finance are:
  - a) Public finance, macroeconomics, personal finance
  - b) Corporate finance, microeconomics, public finance
  - c) Public finance, corporate finance, personal finance
  - d) Personal finance, corporate finance, behavioral finance
  
4. Macroeconomics studies:
  - a) Specific factors
  - b) Individual behavior
  - c) The overall economy
  - d) Business strategies

5. Key topics under finance include managing:
  - a) Only revenues and debt
  - b) Assets, liabilities, revenues, debt, and financial instruments
  - c) Only assets and liabilities
  - d) Only financial instruments
  
6. Finance professionals manage:
  - a) Only assets
  - b) Only liabilities
  - c) Assets, liabilities, revenues, debt, and financial instruments
  - d) Only revenues and debt
  
7. Finance focuses on managing:
  - a) Money flows, financial markets, and risk quantification
  - b) Only financial markets
  - c) Only money flows
  - d) Only risk quantification
  
8. Public finance includes:
  - a) Personal savings, investments, and expenditures
  - b) Corporate assets, liabilities, and revenues
  - c) Tax systems, government expenditures, budget procedures
  - d) Banking, credit, and financial systems

9. Practical applications of economics include:

a) Only market analysis

b) Only policy-making

c) Policy-making, market analysis, forecasting growth, and understanding market events' impacts

d) Only forecasting growth

10. Economists can work in:

a) Only academia

b) Investment banks, consulting firms, academia, and corporations

c) Only consulting firms and corporations

d) Only investment banks

## Answer Key

1. b) Resource allocation
2. c) Money, banking, credit, investments, and financial systems
3. c) Public finance, corporate finance, personal finance
4. c) The overall economy
5. b) Assets, liabilities, revenues, debt, and financial instruments
6. c) Assets, liabilities, revenues, debt, and financial instruments
7. a) Money flows, financial markets, and risk quantification
8. c) Tax systems, government expenditures, budget procedures
9. c) Policy-making, market analysis, forecasting growth, and understanding market events' impacts
10. b) Investment banks, consulting firms, academia, and corporations

## Lesson 1.2 - Intro to Economics

### Matching

1. Economics
2. Microeconomics
3. Macroeconomics
4. GDP
5. Retail Sales
6. Industrial Production
7. CPI
8. Primitivism
9. Feudalism
10. Capitalism
11. Socialism
12. Communism
13. Neoclassical Economics
14. Keynesian Economics
15. Marxian Economics

- A. A system where individuals produced necessities at the household or tribal level.
- B. Broadest measure of economic performance, representing the total market value of all finished goods and services in a year.
- C. Studies the behavior and performance of the economy as a whole, focusing on economic cycles, growth, foreign trade, and policies.
- D. A social science focusing on the production, distribution, and consumption of goods and services, analyzing choices made to allocate limited resources.
- E. Measures retail price changes and inflation.
- F. A system of production with private ownership where supply and demand set prices.
- G. Developed by John Maynard Keynes, advocating for government intervention and monetary policy to boost demand.
- H. Framework illustrating virtues of capitalism, with market prices reaching equilibrium through supply and demand.
- I. Measures total receipts of all merchandise sold in stores, used as a proxy for consumer spending levels.
- J. Defined by Karl Marx's "Das Kapital," rejecting free market benefits and arguing capitalism benefits the ruling class at the expense of the working class.
- K. Reports changes in production of factories, mines, and utilities, indicating the portion of productive capacity being used.
- L. Combines psychology, judgment, decision-making, and economics.
- M. Studies individual consumers and firms' decision-making processes, analyzing price changes, valuation of goods, financial decisions, and trade.
- N. Centralized economic activity with common ownership of production and distribution.
- O. Lords held land and leased it to peasants for production in exchange for safety and security.

## Answer Key

1. D
2. M
3. C
4. B
5. I
6. K
7. E
8. A
9. O
10. F
11. L
12. N
13. H
14. G
15. J

## Lesson 1.2 - The Federal Reserve System

### Fill in the Blank

1. The \_\_\_\_\_ is the central bank of the United States, responsible for providing a safe, flexible, and stable monetary and financial system.
2. \_\_\_\_\_ is the process by which the central bank controls the production and distribution of money and credit to influence the economy.
3. The \_\_\_\_\_ is the main governing body of the Federal Reserve System, consisting of seven members appointed by the President and confirmed by the Senate.
4. \_\_\_\_\_ are twelve regional banks that operate within specific districts and implement the policies of the Federal Reserve System.
5. The \_\_\_\_\_ is the body within the Federal Reserve System responsible for open market operations and the main monetary policymaking.
6. The \_\_\_\_\_ refers to the Federal Reserve's two primary objectives: ensuring price stability and achieving maximum sustainable employment.
7. The \_\_\_\_\_ role of the Federal Reserve is to provide emergency funding to financial institutions in distress to ensure financial stability.
8. \_\_\_\_\_ are the cost of borrowing money, which the Federal Reserve influences to regulate economic activity.
9. The \_\_\_\_\_ is a tool used by the Federal Reserve to lend money to banks, typically on a short-term basis.

10. \_\_\_\_\_ are activities by the Federal Reserve to buy or sell government securities in the market to influence the money supply and interest rates.
11. The \_\_\_\_\_ Act is the law passed in 1913 that established the Federal Reserve System in response to financial panics.
12. \_\_\_\_\_ is maintaining stable prices in the economy, avoiding excessive inflation or deflation.
13. \_\_\_\_\_ is achieving the highest possible level of employment in the economy.
14. \_\_\_\_\_ is ensuring a stable and resilient financial system to prevent economic disruptions.
15. \_\_\_\_\_ is the process by which Congress monitors and supervises the activities of the Federal Reserve.
16. \_\_\_\_\_ characteristics refer to the combination of elements in the Federal Reserve System that include both government oversight and private sector-like operations.
17. The \_\_\_\_\_ system is the infrastructure that the Federal Reserve uses to facilitate the transfer of funds between financial institutions.
18. \_\_\_\_\_ is a real-time gross settlement system operated by the Federal Reserve to move trillions of dollars daily.
19. \_\_\_\_\_ is a service launched by the Federal Reserve in 2023 to enable faster payment settlements.
20. \_\_\_\_\_ are the leaders of the 12 Federal Reserve Banks, each responsible for their respective districts.

## Answer Key

1. Federal Reserve System
2. Monetary Policy
3. Board of Governors
4. Federal Reserve Banks
5. Federal Open Market Committee
6. Dual Mandate
7. Lender of Last Resort
8. Interest Rates
9. Discount Window
10. Open Market Operations
11. Federal Reserve
12. Price Stability
13. Maximum Employment
14. Financial Stability
15. Congressional Oversight
16. Public and Private
17. Payment
18. Fedwire
19. FedNow
20. Regional Bank Presidents

## Lesson 1.2 - Monetary vs Fiscal Policy

### Multiple Choice

1. What is the primary focus of monetary policy?
  - a) Taxation and government spending
  - b) Managing interest rates and money supply
  - c) Regulating international trade
  - d) Implementing public health programs
  
2. Which entity is responsible for implementing monetary policy?
  - a) Central banks
  - b) Local governments
  - c) Federal government
  - d) Private corporations
  
3. What is the main purpose of fiscal policy?
  - a) Controlling inflation
  - b) Influencing economic activity through taxation and spending
  - c) Regulating stock markets
  - d) Managing interest rates
  
4. Which of the following is a tool of monetary policy?
  - a) Government spending policies
  - b) Tax policies
  - c) Open market operations
  - d) Subsidies for businesses
  
5. What does contractionary monetary policy aim to do?
  - a) Boost economic growth by increasing spending
  - b) Combat inflation by reducing spending
  - c) Lower taxes during recessions
  - d) Increase borrowing costs to stimulate growth
  
6. Which of the following is a tool of fiscal policy?
  - a) Discount rate
  - b) Reserve requirements
  - c) Taxation
  - d) Open market operations

7. How does expansionary fiscal policy aim to boost economic growth?

- a) By lowering taxes and increasing government spending
- b) By raising taxes and reducing government spending
- c) By increasing interest rates
- d) By decreasing the money supply

8. Who controls fiscal policy?

- a) Central banks
- b) Federal government
- c) Private banks
- d) International organizations

9. Which policy is used to manage interest rates and money supply?

- a) Fiscal policy
- b) Trade policy
- c) Monetary policy
- d) Regulatory policy

10. What is the goal of contractionary fiscal policy?

- a) Increase economic growth
- b) Reduce spending and raise taxes to curb inflation
- c) Decrease interest rates
- d) Increase the money supply

11. Which of the following statements is true?

- a) Monetary policy is controlled by governments, while fiscal policy is managed by central banks.
- b) Fiscal policy tools include open market operations and reserve requirements.
- c) Monetary policy can be used to either stimulate or check economic growth.
- d) Fiscal policy has no impact on economic activities.

12. What is one key difference between monetary and fiscal policy?

- a) Fiscal policy is managed by central banks, and monetary policy by governments.
- b) Monetary policy deals with taxation, and fiscal policy with money supply.
- c) Monetary policy is managed by central banks, and fiscal policy by governments.
- d) Fiscal policy uses interest rates as a tool, while monetary policy uses government spending.

13. Which policy might include measures like open market operations and reserve requirements?

- a) Fiscal policy
- b) Monetary policy
- c) Trade policy
- d) Regulatory policy

14. How do contractionary monetary policies typically impact borrowing costs?

- a) They lower borrowing costs to stimulate growth.
- b) They have no impact on borrowing costs.
- c) They increase borrowing costs to reduce spending.
- d) They subsidize borrowing costs to increase spending.

15. What is a common goal of both monetary and fiscal policy?

- a) Regulating the stock market
- b) Achieving economic stability
- c) Managing international trade
- d) Implementing health care programs

16. During a recession, which type of fiscal policy would most likely be implemented?

- a) Contractionary fiscal policy
- b) Contractionary monetary policy
- c) Expansionary fiscal policy
- d) Expansionary monetary policy

17. What is the primary aim of expansionary monetary policy?

- a) To reduce inflation by decreasing spending
- b) To increase spending and lower borrowing costs
- c) To raise taxes
- d) To cut government spending

18. What does fiscal policy use to influence economic growth?

- a) Interest rates and money supply
- b) Taxation and government spending
- c) Trade agreements
- d) Monetary policy tools

19. Which type of policy is often used to control inflation by reducing spending?

- a) Expansionary fiscal policy
- b) Contractionary monetary policy
- c) Expansionary monetary policy
- d) Trade policy

20. What is the ultimate goal of both monetary and fiscal policy?

- a) To regulate international trade
- b) To influence and stabilize economies
- c) To manage corporate governance
- d) To oversee public health initiatives

## Answer Key

1. b) Managing interest rates and money supply
2. a) Central banks
3. b) Influencing economic activity through taxation and spending
4. c) Open market operations
5. b) Combat inflation by reducing spending
6. c) Taxation
7. a) By lowering taxes and increasing government spending
8. b) Federal government
9. c) Monetary policy
10. b) Reduce spending and raise taxes to curb inflation
11. c) Monetary policy can be used to either stimulate or check economic growth
12. c) Monetary policy is managed by central banks, and fiscal policy by governments
13. b) Monetary policy
14. c) They increase borrowing costs to reduce spending
15. b) Achieving economic stability
16. c) Expansionary fiscal policy
17. b) To increase spending and lower borrowing costs
18. b) Taxation and government spending
19. b) Contractionary monetary policy
20. b) To influence and stabilize economies

## Lesson 1.3 - Corporate Finance

### Matching

1. Corporate Finance
2. Capital Budgeting
3. Capital Financing
4. Working Capital Management
5. CFO (Chief Financial Officer)
6. Financial Analyst
7. Treasurer
8. Debt Financing
9. Equity Financing
10. Shareholder Value
11. Financial Planning
12. Long-term Financing
13. Short-term Liquidity Management
14. Capital Structuring
15. Dividend Decisions

- a. Ensures enough cash for daily operations.
- b. The highest-ranking financial officer in a corporation.
- c. Role involving the analysis of financial data to assist in decision-making.
- d. Raising funds by issuing shares.
- e. Focuses on funding, capital structuring, accounting, and investments in corporations.
- f. Deploying capital for profitable projects.
- g. The process of raising funds through borrowing.
- h. Ensures cash flow for ongoing operations.
- i. Management of assets and liabilities to ensure efficient operations.
- j. Decisions regarding the distribution of profits to shareholders.
- k. Corporate finance activity involving long-term capital allocation.
- l. Role involving the management of an organization's treasury operations.
- m. Strategies for enhancing the wealth of shareholders.
- n. Structuring of a company's capital, including debt and equity.
- o. Manages corporate investments, cash flow, and financial strategies.

## Answer Key

1. e

2. f

3. g

4. a

5. b

6. c

7. l

8. g

9. d

10. m

11. o

12. k

13. h

14. n

15. j

## Lesson 1.3 - Public Finance

### Fill in the Blank

1. Public finance deals with the financial activities and decisions of governments at various \_\_\_\_\_ (local, state, and national).
2. Public finance involves revenue generation, budgeting, expenditure allocation, and \_\_\_\_\_ management.
3. Revenue collection in public finance includes taxes, fees, grants, and \_\_\_\_\_.
4. Budgeting in public finance allocates funds to different sectors like \_\_\_\_\_, healthcare, and public safety.
5. Public finance activities related to debt management include issuing government bonds and securities to raise \_\_\_\_\_ and managing debt levels.
6. Public finance uses fiscal policies such as taxation and spending to stabilize the economy during \_\_\_\_\_ or inflation.
7. Investing in infrastructure, education, healthcare, and technology in public finance aims to stimulate \_\_\_\_\_.
8. Public finance funds social welfare programs, subsidies, and grants to address income disparities and promote \_\_\_\_\_.
9. Public finance influences economic policies, social welfare, and overall economic well-being at the \_\_\_\_\_ and local levels.
10. The primary focus of public finance is to ensure efficient allocation of resources and promote economic \_\_\_\_\_ and growth.

## Answer Key

1. levels
2. debt
3. borrowing
4. education
5. funds
6. recessions
7. economic growth
8. equity
9. national
10. stability

## Lesson 1.3 - Personal Finance

### Multiple Choice

1. What does personal finance refer to?
  - a) Managing a company's financial resources
  - b) Managing an individual's financial resources
  - c) Managing government finances
  - d) Managing non-profit organization finances
  
2. What is one of the key importance of personal finance?
  - a) Provides financial instability
  - b) Facilitates financial dependence
  - c) Reduces financial stress and anxiety
  - d) Limits financial freedom
  
3. Which of the following is NOT one of the five key areas of personal finance?
  - a) Risk Management and Insurance
  - b) Saving and Investing
  - c) Tax Evasion
  - d) Retirement Planning
  
4. What is the purpose of budgeting in personal finance?
  - a) Maximizing unnecessary expenses
  - b) Minimizing necessary expenses
  - c) Tracking income and expenses, creating a budget, and managing cash flow
  - d) Ignoring financial goals

5. Which of the following is a saving strategy in personal finance?
- a) Splurging on unnecessary items
  - b) Establishing emergency funds and saving for specific goals
  - c) Avoiding any type of savings
  - d) Spending all income on luxury items
6. What is the role of insurance in risk management in personal finance?
- a) It increases financial risks
  - b) It helps identify and mitigate potential financial risks
  - c) It has no impact on risk management
  - d) It eliminates the need for risk assessment
7. Which retirement accounts are commonly used in personal finance?
- a) ABC accounts
  - b) 123 accounts
  - c) 401(k), IRA, and Roth IRA
  - d) Checking and savings accounts only
8. What does tax planning involve in personal finance?
- a) Ignoring tax deductions and credits
  - b) Minimizing tax liability through tax-efficient strategies
  - c) Maximizing tax payments
  - d) Utilizing tax-advantaged accounts

9. What is an important concept in personal finance that involves developing knowledge and skills in financial matters?

- a) Financial independence
- b) Financial ignorance
- c) Financial dependence
- d) Financial literacy

10. Which of the following is NOT an additional concept mentioned in personal finance?

- a) Financial Literacy
- b) Debt Management
- c) Tax Planning
- d) Retirement Spending

11. What is the primary focus of estate planning in personal finance?

- a) Accumulating debt
- b) Wealth transfer and asset distribution
- c) Maximizing taxes
- d) Avoiding financial goals

12. What does SMART stand for in relation to financial goals in personal finance?

- a) Silly, Massive, Ambitious, Random, Time-bound
- b) Specific, Measurable, Achievable, Relevant, Time-bound
- c) Simple, Mindful, Analytical, Realistic, Time-bound
- d) Sudden, Misguided, Arbitrary, Random, Time-bound

13. Which of the following is NOT a type of tax-advantaged investment account mentioned in personal finance?

- a) HSAs (Health Savings Accounts)
- b) 529 plans
- c) FSAs (Flexible Spending Accounts)
- d) Credit Cards

14. What is the conclusion regarding personal finance?

- a) It is not important for achieving financial well-being
- b) It is only useful for building wealth
- c) It is crucial for achieving financial well-being and building wealth
- d) It has no impact on financial stability

15. What is the main objective of personal finance?

- a) To accumulate as much debt as possible
- b) To manage financial resources to achieve financial goals and build wealth
- c) To avoid any type of financial planning
- d) To limit financial freedom

## Answer Key

1. b) Managing an individual's financial resources
2. c) Reduces financial stress and anxiety
3. c) Tax Evasion
4. c) Tracking income and expenses, creating a budget, and managing cash flow
5. b) Establishing emergency funds and saving for specific goals
6. b) It helps identify and mitigate potential financial risks
7. c) 401(k), IRA, and Roth IRA
8. b) Minimizing tax liability through tax-efficient strategies
9. d) Financial literacy
10. d) Retirement Spending
11. b) Wealth transfer and asset distribution
12. b) Specific, Measurable, Achievable, Relevant, Time-bound
13. d) Credit Cards
14. c) It is crucial for achieving financial well-being and building wealth
15. b) To manage financial resources to achieve financial goals and build wealth

## Lesson 1.4 - Business vs Finance Major

### Multiple Choice

1. What is the key difference between a Business Administration Degree and a Finance Degree?
  - a) Business Administration is more specialized in investments.
  - b) Finance emphasizes analytical and interpersonal skills.
  - c) Business Administration is generalized, focusing on a broad grounding in commerce.
  - d) Finance offers opportunities in various industries.
  
2. Which degree requires a stronger background in mathematics, including algebra and sometimes calculus?
  - a) Business Administration Degree
  - b) Finance Degree
  - c) Both degrees require the same level of math skills.
  - d) Neither degree requires math skills.
  
3. What are the average salaries and growth projections for a Financial Analyst?
  - a) \$95,570, 9% growth
  - b) \$131,710, 17% growth
  - c) \$93,000, 11% growth
  - d) \$62,910, 10% growth

4. Which career option involves a focus on investments and financial institutions?

- a) Financial Manager
- b) Management Analyst
- c) Personal Financial Adviser
- d) Securities, Commodities, and Financial Services Sales Agent

5. What is the bottom line regarding both Business Administration and Finance degrees?

- a) Both degrees have weaknesses.
- b) Business Administration is more profitable.
- c) Both lead to rewarding careers.
- d) Finance provides a broad understanding of commerce.

## Answer Key

1. c) Business Administration is generalized, focusing on a broad grounding in commerce.
2. b) Finance Degree
3. a) \$95,570, 9% growth
4. d) Securities, Commodities, and Financial Services Sales Agent
5. c) Both lead to rewarding careers.

## Lesson 1.4 - Financial Services Sector

### Multiple Choice

1. What does the financial services sector encompass?

- a) Various goods and investments
- b) Various businesses providing services like banking, mortgages, credit cards, tax planning, accounting, and investing
- c) Various types of financial products
- d) Various investment opportunities

2. Which of the following is NOT included in the financial services sector?

- a) Banks
- b) Investment houses
- c) Manufacturing companies
- d) Insurance firms

3. Why is the financial services sector crucial for the economy?

- a) It focuses solely on risk management
- b) It boosts consumer confidence
- c) It doesn't impact economic growth
- d) It facilitates capital flow, risk management, and economic growth

4. What are the components of banking services?

- a) Saving and lending
- b) Investing in real estate
- c) Providing tax planning services
- d) Offering insurance products

5. Which segment of banking caters primarily to high-net-worth individuals?

- a) Retail banking
- b) Commercial banking
- c) Investment banking
- d) Savings banking

6. What do investment services facilitate?

- a) Buying and selling goods
- b) Buying and selling securities
- c) Offering insurance policies
- d) Providing tax services

7. What do insurance services protect against?

- a) Economic downturns
- b) Property loss and liability
- c) Interest rate fluctuations
- d) Currency exchange risks

8. What is included in tax and accounting services?

- a) Currency exchange and wire transfers
- b) Tax filing, accounting, and debt resolution
- c) Mortgage lending and credit card services
- d) Real estate transactions and insurance policies

9. What are the components of the financial services sector?

- a) Only banking and investing
- b) Banking, investing, taxes, and real estate
- c) Banking, taxes, and insurance
- d) Only insurance and related services

10. What differentiates the financial services sector from the banking sector?

- a) The focus on real estate
- b) The inclusion of tax services
- c) The broader scope beyond banking activities
- d) The exclusion of investment services

11. Which of the following is an example of financial services?

- a) Selling groceries
- b) Conducting financial transactions
- c) Manufacturing automobiles
- d) Providing healthcare services

12. Why is understanding each sector within the financial services industry beneficial?

- a) It's not beneficial at all
- b) It helps in avoiding financial decisions
- c) It's crucial for navigating financial decisions effectively
- d) It only benefits large corporations

## Answer Key

1. b) Various businesses providing services like banking, mortgages, credit cards, tax planning, accounting, and investing
2. c) Manufacturing companies
3. d) It facilitates capital flow, risk management, and economic growth
4. a) Saving and lending
5. c) Investment banking
6. b) Buying and selling securities
7. b) Property loss and liability
8. b) Tax filing, accounting, and debt resolution
9. b) Banking, investing, taxes, and real estate
10. c) The broader scope beyond banking activities
11. b) Conducting financial transactions
12. c) It's crucial for navigating financial decisions effectively

## Lesson 1.4 - Careers in Finance

### Matching

1. Investment Banker
2. Actuary
3. Portfolio Manager
4. Quantitative Analyst
5. Securities Trader
6. Financial Planner
7. Financial Analyst
8. Economic Analyst

- A. Analyzes monetary consequences of risk using math, statistics, and financial theory for entities like insurance companies, pension plans, banks, and governments.
- B. Researches potential investments, offers opinions and recommendations to guide traders and portfolio managers, and analyzes financial positions of companies.
- C. Raises money for companies and governments through bonds, stocks, public offerings, venture capitalism, and mergers and acquisitions (M&A).
- D. Observes broad areas of the economy and markets, tracks trends, and makes opinions regarding future financial market directions.
- E. Buys and sells securities on behalf of firms, working in different markets like stocks, commodities, or crypto.
- F. Creates mathematical models to help companies make business and financial decisions, especially in trading and risk management.
- G. Oversees institutional and retail client investments, recommending personalized investment strategies and specific investment decisions.
- H. Helps individuals develop plans for present and future financial stability, focusing on wealth preservation, investment growth, estate planning, and tax planning.

## Answer Key

1. Investment Banker - C
2. Actuary - B
3. Portfolio Manager - G
4. Quantitative Analyst - F
5. Securities Trader - E
6. Financial Planner - H
7. Financial Analyst - A
8. Economic Analyst - D

## Lesson 2.1 - What is an Investor and Investing Basics

### Fill in the Blank

1. An investor is a person or entity that commits capital with the expectation of \_\_\_\_\_.
2. High-net-worth individuals providing capital to startups in exchange for equity are known as \_\_\_\_\_.
3. Investors who engage in stock picking and strategic investment decisions based on market analysis are called \_\_\_\_\_.
4. \_\_\_\_\_ investors prefer conservative investments like certificates of deposits and certain bonds.
5. \_\_\_\_\_ hold positions for years to decades, focusing on long-term company prospects.

### Matching

1. Angel Investors
  2. Venture Capitalists
  3. P2P Lending
  4. Institutional Investors
  5. Passive Investors
  6. Active Investors
  7. Low-Risk Investors
  8. High-Risk Investors
- A. Companies investing in small businesses with growth potential.
- B. Obtaining loans directly from individuals online, bypassing traditional banks.
- C. Buy and hold components of market indexes, focusing on long-term gains.
- D. Organizations like mutual funds, hedge funds, and pension funds investing on behalf of others.
- E. High-net-worth individuals providing capital to startups in exchange for equity.
- F. Willing to take on more risk for potentially higher returns, investing in currencies, emerging markets, or stocks.
- G. Prefer conservative investments like certificates of deposits and certain bonds.
- H. Engage in stock picking and strategic investment decisions based on market analysis.

## Multiple Choice

1. What is the primary goal of an investor?
  - a) Spending money on luxury items
  - b) Accumulating wealth over time
  - c) Saving money without any risk
  - d) Engaging in day trading
  
2. Which of the following is a characteristic of an institutional investor?
  - a) Investing on behalf of others
  - b) Providing capital to startups
  - c) Obtaining loans directly from individuals online
  - d) Buying and holding market index components
  
3. What type of investment strategy involves holding positions for years to decades?
  - a) Trading
  - b) Active investing
  - c) Speculation
  - d) Investing
  
4. Which of the following is an example of a high-risk investment?
  - a) Certificates of deposits
  - b) Bonds
  - c) Currencies
  - d) Real estate
  
5. What should you do first to become an investor?
  - a) Buy stocks immediately
  - b) Understand different asset types and risk management
  - c) Open a bank account
  - d) Engage in day trading

## Answer Key

### Fill in the Blank

1. financial returns
2. Angel Investors
3. Active Investors
4. Low-risk
5. Investors

### Matching

1. E
2. A
3. B
4. D
5. C
6. H
7. G
8. F

### Multiple Choice

1. b) Accumulating wealth over time
2. a) Investing on behalf of others
3. d) Investing
4. c) Currencies
5. b) Understand different asset types and risk management

## Lesson 2.1 - Types of Accounts

### Fill in the Blank

1. \_\_\_\_\_ accounts are flexible for general investing with no contribution limits or income restrictions.
2. The \_\_\_\_\_ allows employees of public schools and nonprofits to save for retirement.
3. A \_\_\_\_\_ allows individuals to make post-tax contributions that grow tax-free, with tax-free withdrawals after age 62½.
4. \_\_\_\_\_ are ideal for saving for medical expenses and offer triple tax benefits.
5. \_\_\_\_\_ accounts are designed for self-employed individuals without employees, offering high contribution limits.

### Matching

1. Taxable Brokerage Accounts
  2. 401(k) Plans
  3. Traditional IRA
  4. Roth IRA
  5. 529 Savings Plan
  6. Solo 401(k)
  7. Health Savings Accounts (HSAs)
- 
- A. Provides tax-free withdrawals for qualified educational expenses and high contribution limits.
  - B. Allows self-employed individuals to save for retirement with both employee and employer contributions.
  - C. Offers tax-deductible contributions and tax-deferred growth but requires mandatory distributions at 72.
  - D. Requires a high-deductible health plan and offers tax-free withdrawals for qualified medical expenses.
  - E. Provides post-tax contributions that grow tax-free with tax-free withdrawals.
  - F. General investment account with no contribution limits, subject to capital gains tax.
  - G. Employer-sponsored retirement plan with pre-tax contributions and potential employer match.

## Multiple Choice

1. Which type of account allows employees to contribute pre-tax money and often includes an employer match?
  - a) Roth IRA
  - b) 401(k) Plan
  - c) Health Savings Account (HSA)
  - d) Taxable Brokerage Account
  
2. What is a major benefit of a Roth 401(k) compared to a traditional 401(k)?
  - a) Higher contribution limits
  - b) Tax-free growth and withdrawals
  - c) Employer match is higher
  - d) No income restrictions
  
3. Which of the following accounts is specifically designed for education savings?
  - a) Traditional IRA
  - b) Solo 401(k)
  - c) 529 Savings Plan
  - d) Roth IRA
  
4. What is the primary purpose of a Health Savings Account (HSA)?
  - a) General investing
  - b) Saving for retirement
  - c) Saving for medical expenses
  - d) Funding education
  
5. What is the contribution limit for a Traditional IRA for individuals under 50 in 2024?
  - a) \$3,850
  - b) \$7,000
  - c) \$22,500
  - d) \$66,000

## Answer Key

### Fill in the Blank

1. Taxable brokerage accounts
2. 403(b) retirement account
3. Roth IRA
4. Health Savings Accounts (HSAs)
5. Solo 401(k)

### Matching

1. F
2. G
3. C
4. E
5. A
6. B
7. D

### Multiple Choice

1. b) 401(k) Plan
2. b) Tax-free growth and withdrawals
3. c) 529 Savings Plan
4. c) Saving for medical expenses
5. b) \$6,500

## Lesson 2.1 - Investment Objectives

### Fill in the Blank

1. The three basic investing objectives are \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
2. Investments focused on \_\_\_\_\_ often include government securities and AAA-rated corporate bonds.
3. \_\_\_\_\_ investments aim to generate steady returns and include safe bonds and dividend-paying stocks.
4. Capital growth is achieved through \_\_\_\_\_, particularly in \_\_\_\_\_.
5. Treasury bills (T-bills) and certificates of deposit (CDs) are examples of \_\_\_\_\_ investments.

### Matching

1. Safety
  2. Income
  3. Capital Growth
  4. Treasury Bills (T-bills)
  5. AAA-rated Bonds
- 
- A. Investments that offer steady returns and include safe bonds and dividend-paying stocks.
  - B. Secure investments that include government securities and highly-rated corporate bonds.
  - C. Short-term government securities that provide safety but lower returns.
  - D. Achieved through the sale of assets, especially stocks, with growth potential but market volatility.
  - E. Highly secure bonds rated by credit agencies, offering lower risk.

## Multiple Choice

1. Which of the following is a characteristic of safety-focused investments?
  - a) High market volatility
  - b) Higher potential gains
  - c) Lower returns with high security
  - d) Primarily growth stocks
  
2. What type of investment focuses on providing steady income?
  - a) Treasury bills
  - b) Blue-chip stocks
  - c) Dividend-paying stocks
  - d) Growth stocks
  
3. Capital growth investments are typically achieved through:
  - a) Government securities
  - b) Corporate bonds
  - c) Asset sales, especially stocks
  - d) Money market options
  
4. Which investment option is known for its high security but lower returns?
  - a) Blue-chip stocks
  - b) Treasury bills (T-bills)
  - c) Preferred stocks
  - d) Growth stocks
  
5. The best investment strategy involves:
  - a) Focusing solely on income
  - b) Prioritizing safety above all
  - c) A balanced mix of safety, income, and growth
  - d) Investing only in capital growth stocks

## Answer Key

### Fill in the Blank

1. safety, income, growth
2. safety
3. Income
4. asset sales, stocks
5. safety

### Matching

1. B
2. A
3. D
4. C
5. E

### Multiple Choice

1. c) Lower returns with high security
2. c) Dividend-paying stocks
3. c) Asset sales, especially stocks
4. b) Treasury bills (T-bills)
5. c) A balanced mix of safety, income, and growth

## Lesson 2.2 - Opportunity Cost and Time Value of Money

### Fill in the Blank

1. Opportunity cost is the potential benefit that is missed out on when choosing one \_\_\_\_\_ over another.
2. The formula for calculating opportunity cost is: Opportunity Cost = Return on \_\_\_\_\_ investment choice - Return on investment chosen to pursue.
3. \_\_\_\_\_ cost looks at future potential returns, while \_\_\_\_\_ cost refers to past expenditures.
4. The time value of money (TVM) is the concept that a sum of money is worth more \_\_\_\_\_ than the same sum will be in the future due to its potential earning capacity.
5. TVM is negatively impacted by \_\_\_\_\_, which reduces the purchasing power of money over time.

### Matching

1. Opportunity Cost
  2. Time Value of Money (TVM)
  3. Economic Profit
  4. Risk
  5. Sunk Cost
- 
- A. The concept that a sum of money is worth more now than the same sum will be in the future due to its potential earning capacity.
  - B. Future potential returns compared to actual vs. projected returns of an investment.
  - C. The forgone benefit from not choosing a different option.
  - D. Past expenditures not considered in opportunity cost analysis.
  - E. Profit that includes opportunity costs and is used for strategic decision-making.

## Multiple Choice

1. Which of the following best describes the opportunity cost formula?
  - a) Return on investment chosen to pursue - Return on most profitable investment choice
  - b) Return on most profitable investment choice - Return on investment chosen to pursue
  - c) Return on investment chosen to pursue + Return on most profitable investment choice
  - d) Return on most profitable investment choice + Return on investment chosen to pursue
2. When deciding on debt vs. equity for capital structure, companies analyze:
  - a) Sunk costs
  - b) Accounting profit
  - c) Opportunity costs
  - d) TVM
3. Which concept is crucial for making sound financial decisions about spending, saving, and investing?
  - a) Opportunity cost
  - b) Sunk cost
  - c) Time value of money (TVM)
  - d) Risk
4. What negatively impacts the time value of money?
  - a) Investment growth
  - b) Inflation
  - c) High interest rates
  - d) Economic profit
5. The opportunity cost of choosing new equipment with an 8% ROI over a stock market investment with a 10% ROI is:
  - a) 2%
  - b) 8%
  - c) 10%
  - d) 18%

## Answer Key

### Fill in the Blank

1. alternative
2. most profitable
3. Opportunity, sunk
4. now
5. inflation

### Matching

1. C
2. A
3. E
4. B
5. D

### Multiple Choice

1. b) Return on most profitable investment choice - Return on investment chosen to pursue
2. c) Opportunity costs
3. c) Time value of money (TVM)
4. b) Inflation
5. a) 2%

## Lesson 2.2 - Compound Interest

### Fill in the Blank

1. Compounding is the process where an asset's earnings from capital gains or interest are \_\_\_\_\_ to generate additional earnings.
2. Compounding credits interest to the principal and previously paid interest, magnifying \_\_\_\_\_ over time.
3. Compounding periods can be annual, \_\_\_\_\_, or daily, depending on the financial institution.
4. \_\_\_\_\_ exemplifies the time value of money (TVM) as interest earned grows over time.
5. The Rule of 72 estimates the time to \_\_\_\_\_ an investment with compound interest.
6. In compounding, interest is earned on both the principal and the \_\_\_\_\_ interest.

### Matching

1. Compounding
  2. Simple Interest
  3. Exponential Functions
  4. Dividend Reinvestment Plans (DRIPs)
  5. Rule of 72
  6. Credit Card Debt
- A. Interest is calculated only on the principal.
- B. Investors reinvest dividends to buy more shares.
- C. Interest on both principal and accumulated interest.
- D. Estimates the time to double an investment.
- E. Involves the rapid growth of debt balances due to high-interest rates.
- F. Growth calculation method used in compounding.

## Multiple Choice

1. What is the key difference between compounding and linear growth?
  - a) Compounding only considers the principal
  - b) Linear growth includes interest on interest
  - c) Compounding includes interest on interest
  - d) Linear growth uses exponential functions
2. How does compounding affect investments and debt?
  - a) Decreases the value of investments and debt
  - b) Increases the value of investments but decreases debt
  - c) Increases the value of investments and debt
  - d) Decreases the value of investments but increases debt
3. Which of the following statements about the Rule of 72 is true?
  - a) It estimates the time to halve an investment
  - b) It estimates the time to double an investment
  - c) It uses the formula:  $72 / \text{principal}$
  - d) It uses the formula:  $72 + \text{interest rate}$
4. Over 10 years, \$10,000 with compound interest at 5% annually grows to approximately:
  - a) \$15,000
  - b) \$16,288.95
  - c) \$12,762.82
  - d) \$14,071.00
5. Which is an example of a compounding period?
  - a) Weekly
  - b) Annually
  - c) Quarterly
  - d) All of the above

## True or False

1. Compounding allows interest to be earned on both the principal and accumulated interest.
2. Simple interest grows faster than compound interest over time.
3. Reinvesting dividends is a method of compounding money.
4. Compound interest is commonly used in savings accounts and investments yielding dividends.
5. Albert Einstein referred to compounding as the "eighth wonder of the world."

## Answer Key

### Fill in the Blank

1. reinvested
2. returns
3. monthly
4. Compounding
5. double
6. accumulated

### Matching

1. C
2. A
3. F
4. B
5. D
6. E

### Multiple Choice

1. c) Compounding includes interest on interest
2. c) Increases the value of investments and debt
3. b) It estimates the time to double an investment
4. b) \$16,288.95
5. d) All of the above

### True or False

1. True
2. False
3. True
4. True
5. True

## Lesson 2.3 - Financial Portfolios

### Fill in the Blank

1. Portfolio management involves the art and science of selecting and overseeing a group of investments to meet long-term financial \_\_\_\_\_ and risk tolerance.
2. The key elements of portfolio management are asset allocation, \_\_\_\_\_, and rebalancing.
3. Active management involves strategically buying and selling to \_\_\_\_\_ the market.
4. Passive management aims to mimic index returns through \_\_\_\_\_ funds.
5. A \_\_\_\_\_ portfolio management strategy focuses on high-risk, high-return investments like growth stocks and small-cap stocks.
6. \_\_\_\_\_ management allows a broker to make investment decisions without investor approval.

### Matching

1. Asset Allocation
  2. Diversification
  3. Rebalancing
  4. Tax-Efficiency
  5. Aggressive Strategy
  6. Conservative Strategy
- A. Regular adjustments to maintain target asset allocation.
- B. Mix of assets (stocks, bonds, cash equivalents) for balance and risk protection.
- C. Minimizing taxes through strategic asset placement and holding periods.
- D. High-risk, high-return investments aimed at maximizing capital gains.
- E. Spread investments to mitigate risk and capture sector returns.
- F. Capital preservation with steady returns, suitable for risk-averse investors.

## Multiple Choice

1. What is the primary goal of portfolio management?
  - a) Maximize expected return within appropriate risk
  - b) Minimize management fees
  - c) Avoid all forms of risk
  - d) Achieve immediate high returns
2. Which of the following best describes passive portfolio management?
  - a) Frequent trading to outperform the market
  - b) Long-term, set-it-and-forget-it approach using index funds
  - c) Making investment decisions based on daily market trends
  - d) Relying on market forecasting and expertise
3. What is a common benefit of using a tax-efficient portfolio management strategy?
  - a) High-risk, high-return potential
  - b) Lower management fees
  - c) Optimizing after-tax returns
  - d) Achieving immediate capital gains
4. Which type of portfolio management involves the broker executing trades approved by the investor?
  - a) Discretionary
  - b) Non-discretionary
  - c) Active
  - d) Passive
5. Which portfolio management strategy is most suitable for retirees looking for stable income?
  - a) Aggressive Strategy
  - b) Conservative Strategy
  - c) Moderate Strategy
  - d) Income-Oriented Strategy

## True or False

1. Active portfolio management relies on research, market forecasting, and expertise to outperform an index.
2. A moderate portfolio management strategy focuses solely on high-risk, high-return investments.
3. Rebalancing involves making regular adjustments to maintain the target asset allocation.
4. Diversification aims to spread investments to mitigate risk and capture sector returns.
5. Discretionary management allows the broker to make investment decisions without investor approval.

## Answer Key

### Fill in the Blank

1. objectives
2. diversification
3. outperform
4. index
5. aggressive
6. Discretionary

### Matching

1. B
2. E
3. A
4. C
5. D
6. F

### Multiple Choice

1. a) Maximize expected return within appropriate risk
2. b) Long-term, set-it-and-forget-it approach using index funds
3. c) Optimizing after-tax returns
4. b) Non-discretionary
5. d) Income-Oriented Strategy

### True or False

1. True
2. False
3. True
4. True
5. True

## Lesson 2.3 - Asset Allocation

### Fill in the Blanks

1. Asset allocation is an investment strategy that aims to balance \_\_\_\_\_ and \_\_\_\_\_ by apportioning a portfolio's assets according to an investor's goals.
2. The three main asset classes are \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
3. A primary decision in investing, \_\_\_\_\_, largely determines investment results by dividing investments among stocks, bonds, and cash equivalents.
4. \_\_\_\_\_ funds provide age-appropriate portfolios, gradually reducing risk as the target date nears.
5. During economic \_\_\_\_\_, investors often shift to more conservative investments like bonds or cash equivalents.

### Matching

1. Asset Allocation
  2. Risk Tolerance
  3. Economic Cycles
  4. Behavioral Finance
  5. Rule of Thumb for Stocks
- 
- a. The ability to endure market fluctuations and losses.
  - b. Cognitive biases affecting investment decisions.
  - c. 100 minus age for the percentage of the portfolio in stocks.
  - d. Strategy of balancing risk and reward based on financial goals.
  - e. Growth and contraction periods affecting investment decisions.

## Multiple Choice

1. Which of the following is NOT one of the main asset classes?
  - a) Equities
  - b) Real Estate
  - c) Fixed-income assets
  - d) Cash and cash equivalents
2. For short-term goals like saving to buy a car within a year, a conservative mix might include:
  - a) Stocks and ETFs
  - b) Cash, certificates of deposit, and short-term bonds
  - c) Real estate and commodities
  - d) High-yield bonds and foreign stocks
3. Which type of fund adjusts its asset allocation automatically based on a target date?
  - a) Index Funds
  - b) Mutual Funds
  - c) Life-Cycle/Target-Date Funds
  - d) Hedge Funds
4. The general recommendation for younger investors is to:
  - a) Invest more in bonds.
  - b) Invest more in stocks.
  - c) Avoid risky assets.
  - d) Keep all assets in cash.
5. Cognitive biases in behavioral finance can lead to:
  - a) More disciplined long-term investment strategies.
  - b) Investment decisions influenced by recent market trends.
  - c) Reduced risk tolerance.
  - d) Guaranteed higher returns.

True/False

1. Asset allocation is considered less important than the selection of individual securities.
2. The "100 minus age" rule is a guideline to determine the percentage of the portfolio to be invested in bonds.
3. A good asset allocation strategy is the same for everyone regardless of their age or financial goals.
4. During bull markets, investors typically prefer growth-oriented assets like stocks.
5. Understanding cognitive biases can help investors maintain a disciplined, long-term investment approach.

## Answer Key

### Fill in the Blanks

1. risk, reward
2. equities, fixed-income assets, cash and cash equivalents
3. asset allocation
4. Life-Cycle/Target-Date
5. downturns/recessions

### Matching

1. d
2. a
3. e
4. b
5. c

### Multiple Choice

1. b) Real Estate
2. b) Cash, certificates of deposit, and short-term bonds
3. c) Life-Cycle/Target-Date Funds
4. b) Invest more in stocks
5. b) Investment decisions influenced by recent market trends

### True/False

1. False
2. False
3. False
4. True
5. True

## Lesson 2.3 - Risk Management and Time Horizons

### Fill in the Blanks

1. Risk in investing is the chance that an investment's actual gains will differ from the \_\_\_\_\_ return, including the possibility of losing some or all of the original investment.
2. The three main asset classes are \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
3. The standard deviation is a common metric used to indicate the \_\_\_\_\_ and risk of an investment.
4. \_\_\_\_\_ funds provide age-appropriate portfolios, gradually reducing risk as the target date nears.
5. The \_\_\_\_\_ time horizon refers to investments expected to last for fewer than five years.

### Matching

1. Systematic Risk
  2. Unsystematic Risk
  3. Time Horizon
  4. Liquidity Risk
  5. Risk-Free Security
- 
- a. Specific to an industry or company; managed through diversification.
  - b. The period of time one expects to hold an investment until they need the money back.
  - c. Minimal risk investments, such as U.S. Treasury bills.
  - d. Affects the entire market; includes interest rate risk, inflation risk, etc.
  - e. The ability to quickly convert investments to cash.

## Multiple Choice

1. Which of the following is NOT a method for quantifying risk?
  - a. Standard Deviation
  - b. Beta
  - c. Capital Asset Pricing Model (CAPM)
  - d. Price-to-Earnings Ratio (P/E)
  
2. Which type of investment is considered risk-free?
  - a. Corporate Bonds
  - b. U.S. Treasury Bills
  - c. Stocks
  - d. Real Estate
  
3. What is a common recommendation for the percentage of a portfolio in stocks for younger investors?
  - a. 50% of their portfolio
  - b. 100 minus their age
  - c. 100% of their portfolio
  - d. 60% of their portfolio
  
4. For long-term investment horizons, investors typically take:
  - a. No risks
  - b. Lesser risks for lesser rewards
  - c. Greater risks for greater rewards
  - d. Moderate risks for moderate rewards
  
5. Cognitive biases in behavioral finance can lead to:
  - a. More disciplined long-term investment strategies
  - b. Investment decisions influenced by recent market trends
  - c. Reduced risk tolerance
  - d. Guaranteed higher returns

## True/False

1. Risk is inherent in investing and can be effectively managed through diversification and hedging strategies.
2. Short-term investment horizons are suitable for investors approaching retirement or needing a large sum of cash soon.
3. Systematic risk is specific to an industry or company and can be managed through diversification.
4. During economic downturns, investors often shift to more conservative investments like bonds or cash equivalents.
5. The longer the time horizon, the more conservative an investor can be in their portfolio.

## Answer Key

### Fill in the Blanks

1. expected
2. equities, fixed-income assets, cash and cash equivalents
3. volatility
4. Life-Cycle/Target-Date
5. short-term

### Matching

1. d
2. a
3. b
4. e
5. c

### Multiple Choice

1. d) Price-to-Earnings Ratio (P/E)
2. b) U.S. Treasury Bills
3. b) 100 minus their age
4. c) Greater risks for greater rewards
5. b) Investment decisions influenced by recent market trends

### True/False

16. True
17. True
18. False
19. True
20. False

## Lesson 2.3 - Basic Portfolio Strategies

### Fill in the Blanks

1. Before choosing an investment strategy, understand your \_\_\_\_\_ situation and goals.
2. Value investing is based on fundamental analysis and financial metrics, aiming for large \_\_\_\_\_ gains.
3. Growth investing focuses on companies with strong future earnings potential, aiming for shorter-term \_\_\_\_\_ appreciation.
4. Momentum investing involves buying stocks in \_\_\_\_\_ and potentially short-selling those in downtrends.
5. Dollar-cost averaging involves making regular investments over time, reducing \_\_\_\_\_ investment decisions.

### Matching

1. Value Investing
  2. Growth Investing
  3. Momentum Investing
  4. Dollar-Cost Averaging
- 
- A. Potential for large long-term gains; Requires patience
  - B. Aims for shorter-term capital appreciation; More volatile
  - C. Can be combined with other strategies; Removes emotional investing decisions
  - D. Higher potential short-term gains; Requires high skill for proper timing

## Multiple Choice

1. Which investment strategy is best for those looking for higher potential returns over shorter periods and can tolerate higher risks?
  - a. a) Value Investing
  - b. b) Growth Investing
  - c. c) Momentum Investing
  - d. d) Dollar-Cost Averaging
  
2. What is a key factor to evaluate in growth investing?
  - a. a) Executive team prowess
  - b. b) Price-earnings ratio
  - c. c) Market volatility
  - d. d) Long-term investment holds
  
3. Who should use dollar-cost averaging?
  - a. a) Long-term investors
  - b. b) Active traders
  - c. c) Most investors
  - d. d) Speculative investors

## True/False

1. Momentum investing is less risky and suitable for passive investors.
2. Dollar-cost averaging requires ongoing cash flow and disposable income.
3. Growth investing focuses on companies with strong past earnings performance.

## Answer Key

### Fill in the Blanks

1. financial
2. long-term
3. capital
4. uptrends
5. emotional

### Matching

1. A
2. B
3. D
4. C

### Multiple Choice

1. b) Growth Investing
2. a) Executive team prowess
3. c) Most investors

### True/False

1. False
2. True
3. False

## Lesson 3.1 - Asset Classes

### Fill in the Blanks

1. An asset class is a grouping of investments that exhibit similar \_\_\_\_\_ and are subject to the same \_\_\_\_\_ and regulations.
2. Asset classes are used by financial advisors for portfolio \_\_\_\_\_.
3. Common examples of asset classes include \_\_\_\_\_, fixed income, cash equivalents, \_\_\_\_\_, commodities, and \_\_\_\_\_.
4. Investment assets can be \_\_\_\_\_ or \_\_\_\_\_. Examples include real estate properties and physical commodities for the former, and stocks, bonds, and intellectual property for the latter.
5. High liquidity assets, such as \_\_\_\_\_, can be sold quickly with minimal price impact, whereas low liquidity assets, like \_\_\_\_\_, may take time to sell and could require a discount.

### Matching

1. Equities
  2. Fixed income
  3. Cash equivalents
  4. Real estate
  5. Commodities
  6. Cryptocurrencies
- 
- a. Digital or virtual currencies, high volatility
  - b. Basic goods, hedge against inflation, examples include gold and oil
  - c. Low risk, low return, includes savings accounts and T-bills
  - d. Pays a fixed income until maturity, interest paid periodically
  - e. Ownership in companies, profit through dividends and capital gains
  - f. Less liquid, includes properties and physical assets

## Multiple Choice

1. What is the primary purpose of diversification in a portfolio?
  - a) To maximize returns by focusing on a single asset class
  - b) To reduce portfolio risk and maximize returns
  - c) To ensure all investments are in high-risk assets
  - d) To avoid investing in tangible assets
  
2. Which of the following is NOT a characteristic of fixed income securities?
  - a) Pays interest until maturity
  - b) High volatility and potential for large gains
  - c) Lower risk compared to equities
  - d) Includes government and corporate bonds
  
3. Which asset class is known for having the highest long-term returns historically?
  - a) Fixed income
  - b) Equities
  - c) Cash equivalents
  - d) Commodities
  
4. Investing \$100 in the S&P 500 from 1928 to 2023 would have grown significantly more than in:
  - a) Commodities
  - b) Cryptocurrencies
  - c) Real estate
  - d) Treasuries

True/False

1. Real estate is considered a high liquidity asset.
2. Collectibles like artwork or stamps are examples of alternative asset classes.
3. High liquidity assets provide quick access to cash and are suitable for meeting short-term needs.
4. Commodities are typically high risk with unpredictable returns.
5. Diversification across different asset classes is essential for reducing investment risk.
6. All asset classes perform similarly under various market conditions.
7. The main purpose of asset classes is to increase portfolio risk.

## Answer Key

### Fill in the Blanks

1. characteristics, laws
2. diversification
3. equities, real estate, and currencies.
4. tangible, intangible
5. stocks, real estate

### Matching

1. Equities - e
2. Fixed income - d
3. Cash equivalents - c
4. Real estate - f
5. Commodities - b
6. Cryptocurrencies - a

### Multiple Choice

1. b) To reduce portfolio risk and maximize returns
2. b) High volatility and potential for large gains
3. b) Equities
4. d) Treasuries

### True/False

1. F
2. T
3. T
4. T
5. T
6. F
7. F

## Lesson 3.1 - Equities

### Equities Worksheet: Understanding Ownership in Investments

#### Part 1: Basic Concepts

1. Equities represent \_\_\_\_\_ in a company.
2. The two main types of stock are \_\_\_\_\_ stock and \_\_\_\_\_ stock.
3. A company's total assets minus its total liabilities equals its \_\_\_\_\_.
4. Public equity refers to stocks traded on \_\_\_\_\_, while private equity refers to investments in \_\_\_\_\_ companies.
5. The formula for Return on Equity (ROE) is \_\_\_\_\_ divided by shareholder equity.

#### Part 2: Stock Market Basics

6. \_\_\_\_\_ stock gives shareholders voting rights and potential dividends.
7. \_\_\_\_\_ stock provides fixed dividends but usually no voting rights.
8. Companies issue stocks to raise \_\_\_\_\_.
9. The market value of a stock is determined by \_\_\_\_\_ and \_\_\_\_\_.
10. Shareholder equity is listed on a company's \_\_\_\_\_.

#### Part 3: Types of Equity Investments

11. \_\_\_\_\_ is the process of investing in early-stage startups with high growth potential.
12. A \_\_\_\_\_ occurs when a company is purchased using mostly borrowed money.
13. \_\_\_\_\_ deals involve private investors buying shares in a public company at a discount.
14. \_\_\_\_\_ is when investors provide funding to private businesses for growth.
15. A \_\_\_\_\_ equity firm invests in businesses that are not publicly traded.

#### Part 4: Investor Considerations

16. \_\_\_\_\_ equity is considered more liquid than private equity.
17. A company's \_\_\_\_\_ value is its net worth based on accounting records.
18. The stock exchange where shares of large U.S. companies trade is called the \_\_\_\_\_.
19. Dividends are payments made to \_\_\_\_\_ from company profits.
20. Investors look at \_\_\_\_\_ to assess a company's financial health before investing.

## Answer Key

1. ownership
2. common, preferred
3. shareholder equity
4. stock exchanges, private
5. net income
6. Common
7. Preferred
8. capital
9. supply, demand
10. balance sheet
11. Venture capital
12. Leveraged buyout (LBO)
13. PIPE (Private Investment in a Public Company)
14. Private equity
15. Private
16. Public
17. Book
18. New York Stock Exchange (NYSE)
19. shareholders
20. financial statements

## Lesson 3.1 - Fixed Income

### Fill in the Blanks

1. Fixed income refers to investment securities that provide regular, fixed \_\_\_\_\_ or dividend payments until their maturity date.
2. At maturity, investors are repaid the \_\_\_\_\_ amount they invested.
3. Treasury Bills (T-bills) are short-term securities maturing in less than a year, sold at a \_\_\_\_\_ and pay no interest.
4. Municipal bonds are issued by states, municipalities, or counties to finance local projects and are often \_\_\_\_\_.
5. Bond index funds like Vanguard's BND ETF aim to replicate the performance of a specific bond \_\_\_\_\_.

### Matching

1. Treasury Bills (T-bills)
  2. Municipal Bonds
  3. Corporate Bonds
  4. Certificates of Deposit (CDs)
- 
- a. Short-term securities, no interest
  - b. Issued by companies, higher risk
  - c. Tax-free, finance local projects
  - d. Offered by banks, fixed interest rates

### Multiple Choice

1. What is the primary advantage of fixed income investments?
  - a) High potential returns
  - b) Regular and predictable income
  - c) Quick liquidity
  - d) Variable interest rates
  
2. What risk is associated with fixed income investments if interest rates rise?
  - a) Credit risk
  - b) Inflation risk
  - c) Interest rate risk
  - d) Market risk
  
3. What investment strategy involves investing in bonds with different maturities to manage interest rate changes?
  - a) Diversification
  - b) Laddering
  - c) Bond Index Funds
  - d) Fixed-income ETFs

### True/False

1. Fixed income securities pay a variable level of interest or dividends.
2. Municipal bonds are often tax-free.
3. Bond index funds aim to track the performance of a specific bond index.
4. Investing in fixed income is suitable for investors seeking high potential returns.
5. Treasury Bills (T-bills) pay interest and have long-term maturities.
6. Diversification involves investing in bonds with different maturities to spread out risk.

## Answer Key

### Fill in the Blanks

1. interest
2. principal
3. discount
4. tax-free
5. index

### Matching

1. Treasury Bills - a
2. Municipal Bonds - c
3. Corporate Bonds - b
4. Certificates of Deposit - d

### Multiple Choice

1. b) Regular and predictable income
2. c) Interest rate risk
3. b) Laddering

### True/False

1. F
2. T
3. T
4. F
5. F
6. T

## Lesson 3.1 Cash and Cash Equivalents

### Fill in the Blanks

1. Cash equivalents are securities meant for short-term investing, known for their solid credit quality and high liquidity, easily convertible to \_\_\_\_\_.
2. Cash equivalents are listed under current assets as "cash and cash equivalents," alongside actual cash, indicating the most \_\_\_\_\_ assets.
3. Cash equivalents are one of the three main asset classes in investing, alongside stocks and bonds, with a low-risk, low-return \_\_\_\_\_.
4. Types of cash equivalents include U.S. government Treasury bills, bank certificates of deposit, commercial paper, marketable securities, money market funds, short-term government bonds, and \_\_\_\_\_.
5. Marketable securities are highly liquid financial assets traded on public exchanges, including T-Bills, CDs, commercial paper, stocks, bonds, and \_\_\_\_\_.

### Matching

1. Treasury Bills (T-bills)
  2. Commercial Paper
  3. Marketable Securities
  4. Money Market Funds
  5. Short-Term Government Bonds
- 
- a. Short-term unsecured debt by corporations, used to meet short-term liabilities
  - b. Highly liquid financial assets traded on public exchanges
  - c. Short-term securities issued by the U.S. Treasury
  - d. Mutual funds investing in cash equivalents
  - e. Very liquid securities issued by governments for funding

## Multiple Choice

1. What is the primary advantage of cash equivalents investments?
  - a) High potential returns
  - b) Regular and predictable income
  - c) Quick liquidity
  - d) Variable interest rates
2. What feature is characteristic of cash equivalents?
  - a) High volatility
  - b) Long-term investment horizon
  - c) Low-risk profile
  - d) High returns potential
3. Cash equivalents are crucial for a company's \_\_\_\_\_ and ability to meet short-term obligations.
  - a) Long-term investments
  - b) Liquidity
  - c) Debt agreements
  - d) Future projects

## True/False

1. Cash equivalents are meant for long-term investing.
2. Marketable securities are not considered cash equivalents.
3. Cash equivalents have a high-risk profile.
4. Cash equivalents offer higher returns compared to longer-term investments.
5. Cash equivalents provide quick access to cash.

## Answer Key

### Fill in the Blanks

1. cash
2. liquid
3. profile
4. banker's acceptances.
5. ETFs

### Matching

1. Treasury Bills - c
2. Commercial Paper - a
3. Marketable Securities - b
4. Money Market Funds - d
5. Short-Term Government Bonds - e

### Multiple Choice

1. c
2. c
3. b

### True/False

1. F
2. F
3. F
4. F
5. T

## Lesson 3.1 - Alternative Investments

### Fill in the Blanks

1. Alternative Investment: A financial asset not fitting conventional categories like \_\_\_\_\_.
2. Examples of alternative investments include private equity, venture capital, hedge funds, managed futures, art, antiques, commodities, derivatives, and \_\_\_\_\_.
3. Alternative categories include private equity, real property, commodities, and tangible \_\_\_\_\_.
4. Regulation of alternative investments often involves \_\_\_\_\_ regulations from the SEC.
5. Alternative investments are traditionally for institutional or accredited investors; now accessible to retail investors via \_\_\_\_\_ funds.

### Matching

1. Real Estate
  2. Commodities
  3. Venture Capital/Private Equity
  4. Art and Collectibles
  5. Cryptocurrencies
- 
- a. Investments in private companies or startups.
  - b. Physical properties, REITs, crowdfunding platforms.
  - c. Digital currencies outside the traditional scope.
  - d. Art, sports memorabilia, and other historical or valuable items.
  - e. Gold, silver, oil, agricultural products.

## Multiple Choice

1. What is a key characteristic of alternative investments?
  - a) High liquidity
  - b) Low minimum investments
  - c) Reduced regulation
  - d) Low risk
2. Why is due diligence essential for investors in alternative investments?
  - a) To avoid high fees
  - b) To understand complex structures
  - c) To ensure quick liquidity
  - d) To reduce regulatory risks
3. Alternative investments are often targeted towards which group of investors?
  - a) Retail investors
  - b) Accredited investors
  - c) Novice investors
  - d) Institutional investors

## True/False

1. Alternative investments are regulated but not registered with the SEC.
2. Private equity is an example of an alternative investment.
3. Alternative investments typically have lower fees compared to traditional investments.
4. Cryptocurrencies fall within the traditional scope of investments.
5. Due diligence is not necessary for investing in alternative assets.

## Answer Key

### Fill in the Blanks

1. stocks, bonds, and cash
2. real estate
3. assets
4. fewer
5. alternative

### Matching

1. Real Estate - b
2. Commodities - e
3. Venture Capital/Private Equity - a
4. Art and Collectibles - d
5. Cryptocurrencies - c

### Multiple Choice

1. c) Reduced regulation
2. d) To reduce regulatory risks
3. b) Accredited investors

### True/False

1. T
2. T
3. F
4. F
5. F

## Lesson 3.2 Securities

### Fill in the Blanks

1. A security is a tradable financial instrument representing some type of financial value, such as stocks, bonds, investment contracts, and \_\_\_\_\_.
2. Types of securities include equity (e.g., stocks), debt (e.g., bonds), and hybrids (e.g., convertible \_\_\_\_\_).
3. The Securities Act of 1933 requires companies to disclose important information about securities being offered to the public, aimed at protecting investors from \_\_\_\_\_.
4. The Howey Test, established by a U.S. Supreme Court case, defines a security based on criteria such as an investment of money, expectation of profit, and profit derived from the efforts of \_\_\_\_\_.

### Matching

Match the type of security with its correct description.

1. Equity Securities
  2. Debt Securities
  3. Hybrid Securities
- a. Represent money borrowed that must be repaid.
  - b. Represent ownership in a company.
  - c. Combine aspects of both debt and equity.

### Multiple Choice

1. What is a key characteristic of securities?
  - a) High volatility
  - b) Low liquidity
  - c) Expectation of profit
  - d) Lack of regulation
  
2. Why is the Securities Act of 1933 important?
  - a) It regulates stock exchanges.
  - b) It protects investors from fraud.
  - c) It encourages risky investments.
  - d) It limits the trading of securities.
  
3. Securities and Exchange Commission (SEC) regulates which aspect of securities?
  - a) Buying and selling on stock exchanges
  - b) Issuance of securities to the public
  - c) Interest rates on bonds
  - d) Price movements of stocks

### True/False

1. The Securities Act of 1933 requires companies to disclose important information about securities.
2. Hybrid securities combine features of both equity and debt.
3. Securities and Exchange Commission (SEC) regulates stock exchanges.
4. Equity securities represent ownership in a company.
5. The Howey Test defines securities based on their volatility.

## Answer Key

### Fill in the Blanks

1. derivatives.
2. bonds.
3. fraud
4. others

### Matching

1. b
2. a
3. c

### Multiple Choice

1. c
2. b
3. d

### True/False

1. T
2. T
3. T
4. T
5. F

## Lesson 3.2 - Non-Securities

### Fill in the Blanks

1. A non-security is an alternative investment that is not traded on public exchanges like stocks and bonds. Examples include art, rare coins, life insurance, gold, and \_\_\_\_\_.
2. Characteristics of non-securities include illiquid assets that cannot be easily bought or sold on demand and often tangible items or contractual agreements known as \_\_\_\_\_.
3. Non-securities are traded in specialized markets such as auctions or private listings, not on public exchanges like NYSE or \_\_\_\_\_.
4. Valuation of non-securities involves appraisal by market experts to estimate its value, which may involve authentication and \_\_\_\_\_.

### Matching

1. Art and Collectibles
  2. Precious Metals and Gems
  3. Personal Financial Assets
- a. Includes fine art, rare coins, and antiques.
- b. Includes gold, silver, diamonds, and other precious stones.
- c. Includes life insurance policies and annuities.

## Multiple Choice

1. How are non-securities typically traded?
  - a) Public exchanges
  - b) Private listings
  - c) Over-the-counter markets
  - d) Cryptocurrency exchanges
2. What is a characteristic of non-securities?
  - a) High liquidity
  - b) Tradable on public exchanges
  - c) Easily convertible to cash
  - d) Often illiquid
3. What is the valuation process for non-securities?
  - a) Done by banks
  - b) Requires extensive documentation
  - c) Appraisal by market experts
  - d) Involves SEC oversight

## True/False

1. Non-securities are traded on public exchanges like stocks and bonds.
2. Personal financial assets include life insurance policies and annuities.
3. Valuation of non-securities involves less documentation compared to securities.
4. Non-securities are typically highly liquid investments.
5. Non-securities can be components of investment funds traded on public exchanges.

## Answer Key

### Fill in the Blanks

1. diamonds
2. real assets
3. NASDAQ
4. registration

### Matching

1. a
2. b
3. c

### Multiple Choice

1. b) Private listings
2. d) Often illiquid
3. c) Appraisal by market experts

### True/False

1. F
2. T
3. F
4. F
5. T

## Lesson 4.1 - Stocks

### Fill in the Blank

1. Stock, or \_\_\_\_\_, represents ownership in a corporation.
2. Shares entitle the owner to a portion of the corporation's \_\_\_\_\_ and \_\_\_\_\_.
3. Corporations issue stock to raise \_\_\_\_\_ for business operations.
4. Shareholders have a claim to the company's \_\_\_\_\_ and \_\_\_\_\_ proportional to their share ownership.
5. In bankruptcy, corporate assets are sold, but shareholders' personal assets are \_\_\_\_\_.
6. Majority shareholders can influence corporate direction through \_\_\_\_\_ appointments.
7. Common stockholders can vote at shareholder meetings and receive \_\_\_\_\_.
8. Preferred stockholders generally do not have \_\_\_\_\_ rights.
9. Bondholders receive \_\_\_\_\_ and principal repayment, with priority in bankruptcy.

### Matching

Match the term with its correct description.

1. Common Stock
  2. Preferred Stock
  3. Dividends
  4. Capital Appreciation
  5. Stock Buyback
- 
- a. Increase in stock price over time.
  - b. Cash distributions of profits to shareholders.
  - c. Stockholders with voting rights and claim on assets after preferred shareholders.
  - d. Stockholders with priority in dividends and bankruptcy, but usually no voting rights.
  - e. Company action that increases value of existing shares by reducing the number of shares.

## Multiple Choice

1. What is the primary purpose of a corporation issuing stock?
  - a. To pay off debts
  - b. To raise funds for business operations
  - c. To increase the number of shareholders
  - d. To comply with government regulations
2. Which of the following is true about shareholders' ownership?
  - a. Shareholders own the corporation's assets.
  - b. Shareholders have a claim to profits but not to the corporation's assets.
  - c. Shareholders have no voting rights.
  - d. Shareholders' personal assets are at risk in bankruptcy.
3. What is the main difference between stocks and bonds?
  - a. Stocks are riskier than bonds.
  - b. Bonds represent ownership in a corporation.
  - c. Stockholders have priority in bankruptcy over bondholders.
  - d. Bonds do not generate any income for the investor.
4. How can investors buy and sell stocks?
  - a. Directly from the corporation
  - b. On stock exchanges like Nasdaq or NYSE
  - c. Through government agencies
  - d. At physical stock markets only

## True/False

1. Corporations are legal entities separate from their shareholders.
2. Corporate property is the same as shareholders' property.
3. Dividends must be distributed by all companies to their shareholders.
4. Stock buybacks decrease the value of existing shares.
5. Historically, stocks have outperformed most other investments over the long run.

## Answer Key

### Part 1: Fill in the Blank

1. equity
2. assets, profits
3. funds
4. assets, earnings
5. protected
6. board
7. dividends
8. voting
9. interest

### Part 2: Matching

1. c
2. d
3. b
4. a
5. e

### Part 3: Multiple Choice

1. b
2. b
3. a
4. b

### Part 4: True/False

1. T
2. F
3. F
4. F
5. T

## 4.1 - Private vs Public

### Fill in the Blank

1. Private companies are usually owned by \_\_\_\_\_, management, and/or a group of private investors.
2. Public companies sell portions of the company to the public through an \_\_\_\_\_.
3. Private companies must rely on private funding sources such as banks, \_\_\_\_\_, or profits from operations.
4. Public companies are required to disclose financial activities to the public and must file reports like 10-K, 10-Q, and \_\_\_\_\_ with the SEC.
5. \_\_\_\_\_ companies can tap financial markets for capital through selling stock or issuing bonds.

### Matching

1. Private Company
  2. Public Company
  3. Initial Public Offering (IPO)
  4. Regulation D
  5. 10-K
- 
- a. Allows private companies to sell a limited number of shares without registering with the SEC.
  - b. A company that is not subject to SEC regulation and is owned by founders and private investors.
  - c. The process through which a private company sells portions of the company to the public.
  - d. Required annual financial report filed by public companies to the SEC.
  - e. A company that must register with the SEC and is owned by public shareholders and company personnel.

## Multiple Choice

1. What is a primary characteristic of a private company?
  - a. Shares can be bought and sold by the general public.
  - b. Must disclose financial activities to the public.
  - c. Relies on private funding sources such as venture capitalists.
  - d. Traded on public stock exchanges.
2. Which of the following is true about public companies?
  - a. Operations and financial performance are not disclosed to the public.
  - b. Can sell shares without registering with the SEC under Regulation D.
  - c. Must file regular financial reports with the SEC.
  - d. Owned only by founders and private investors.
3. How can public companies raise capital without surrendering ownership shares?
  - a. Through venture capitalists.
  - b. By issuing bonds.
  - c. By selling additional private shares.
  - d. Through bank loans.
4. Which of the following is an example of a public company by market capitalization?
  - a. Cargill
  - b. Chik Fil A
  - c. Apple
  - d. Publix Super Markets

## True/False

1. Private companies are required to file reports like 10-K and 10-Q with the SEC.
2. Public companies can access capital by selling shares or issuing bonds in public markets.
3. Private companies' shares can be bought and sold by the general public.
4. Public shareholders can influence company management and operations.
5. Private companies must disclose company information to the public.

## Answer Key

### Fill in the Blank

1. founders
2. initial public offering
3. venture capitalists
4. 8-K
5. Public

### Matching

1. b
2. e
3. c
4. a
5. d

### Multiple Choice

1. c
2. c
3. b
4. c

### True/False

1. False
2. True
3. False
4. True
5. False

## Lesson 4.2 - Stock Indexes

### Fill in the Blank

1. An index produces a numeric score based on inputs like \_\_\_\_\_ prices.
2. Indexes track performance of a group of assets in a \_\_\_\_\_ way.
3. Important U.S. indexes include the S&P 500, Dow Jones Industrial Average, and \_\_\_\_\_ Composite.
4. Passive index investing aims to \_\_\_\_\_ index returns.
5. Indexing is a \_\_\_\_\_ strategy that aims to replicate an index.
6. \_\_\_\_\_ funds or ETFs replicate index performance.
7. Index funds typically have lower \_\_\_\_\_ and tax exposure.
8. Market indexes provide \_\_\_\_\_ for measuring investment performance.
9. Global indices track the performance of stocks from multiple \_\_\_\_\_ and regions.
10. Sector indices track stocks within a specific \_\_\_\_\_ or sector.

### Multiple Choice

1. What is the primary purpose of an index?
  - a. To provide investment advice.
  - b. To track the performance of a group of assets.
  - c. To predict future stock prices.
  - d. To manage individual portfolios.
2. Which of the following is an example of a country-specific index?
  - a. MSCI World Index
  - b. Nasdaq Biotechnology Index
  - c. S&P 500
  - d. MSCI Europe

3. What is a key feature of passive index investing?
  - a. Actively selecting stocks to outperform the market.
  - b. Creating a portfolio that mirrors an index.
  - c. Investing directly in an index.
  - d. Avoiding all forms of benchmarking.
  
4. Which of the following is true about index funds?
  - a. They typically have higher fees than actively managed funds.
  - b. They aim to outperform the market.
  - c. They replicate the performance of an index.
  - d. They are not suitable for long-term investments.
  
5. What is an example of a sector index?
  - a. Russell 2000
  - b. S&P 500 Growth
  - c. Nasdaq Biotechnology Index
  - d. FTSE 100
  
6. Which of the following indexes would track large-cap stocks?
  - a. Russell 1000
  - b. MSCI Asia Pacific
  - c. Bloomberg Barclays U.S. Aggregate Bond Index
  - d. FTSE World Government Bond Index

7. What do bond indices track?
  - a. Stock market performance.
  - b. Bond market performance.
  - c. Commodity prices.
  - d. Real estate values.
  
8. Which of the following is a benefit of using indexes?
  - a. They simplify understanding of market sectors without examining individual assets.
  - b. They guarantee high returns on investments.
  - c. They reduce market volatility.
  - d. They eliminate investment risks.

## Matching Section

1. \_\_\_ S&P 500 Index
2. \_\_\_ Dow Jones Industrial Average (DJIA)
3. \_\_\_ Nasdaq Composite Index
4. \_\_\_ Russell 2000 Index
5. \_\_\_ Russell 1000 Index
6. \_\_\_ Russell 3000 Index
7. \_\_\_ FTSE 100 Index
8. \_\_\_ Nikkei 225 Index
9. \_\_\_ MSCI EAFE Index
10. \_\_\_ Bloomberg U.S. Aggregate Bond Index

- a. Comprises 225 large, publicly-owned companies based in Japan; a primary benchmark for the Japanese stock market.
- b. Represents the investment-grade bond market in the U.S.; a common benchmark for U.S. fixed-income investments.
- c. Tracks the 100 largest companies listed on the London Stock Exchange; a key indicator of the performance of the UK stock market.
- d. Tracks the performance of the 1,000 largest U.S. companies based on market capitalization; used to gauge large-cap performance.
- e. Encompasses the 3,000 largest U.S. companies; provides a comprehensive snapshot of the entire U.S. stock market.
- f. Consists of 30 large, publicly-owned companies based in the United States; one of the oldest and most recognized indices.
- g. Includes over 3,000 stocks listed on the Nasdaq Stock Market; heavily weighted toward technology and growth companies.
- h. Tracks the performance of 500 large-cap U.S. stocks; considered the best single gauge of the U.S. equities market.
- i. Tracks the performance of stocks in Europe, Australasia, and the Far East; widely used as a benchmark for international equity performance.
- j. Tracks the performance of the 2,000 smallest companies in the Russell 3000 Index; a widely-followed benchmark for small-cap stocks.

## Answer Key

### Fill in the Blank

1. asset
2. standardized
3. NASDAQ
4. replicate
5. passive
6. index
7. fees
8. benchmarks
9. countries
10. industry

### Multiple Choice

1. b
2. c
3. b
4. c
5. c
6. a
7. b
8. a

### Matching

1. h
2. f
3. g
4. j
5. d
6. e
7. c
8. a
9. i
10. b

## Lesson 4.2 - Sector vs Industry

### Fill in the Blank

1. Sector breakdown represents the mix of industry sectors held by a \_\_\_\_\_ or portfolio.
2. A diversified stock portfolio aims to hold stocks across most \_\_\_\_\_ sectors.
3. The Global Industry Classification Standard (GICS) organizes sectors into \_\_\_\_\_ categories.
4. The Financials sector includes companies providing \_\_\_\_\_ services like banking and insurance.
5. Within the Technology sector, examples of industries include computer hardware, software, and \_\_\_\_\_ services.

### Matching

Match the sector or industry description to its correct term.

1. Energy Sector
  2. Materials Sector
  3. Industrials Sector
  4. Consumer Discretionary Sector
  5. Health Care Sector
  6. Financials Sector
  7. Information Technology Sector
  8. Telecommunication Services Sector
  9. Utilities Sector
  10. Real Estate Sector
- 
- a. Companies providing communication services through wired and wireless networks.
  - b. Producers of metals, mining companies, and chemical manufacturers.
  - c. Manufacturers, construction companies, aerospace and defense companies.
  - d. Retailers, automakers, media companies, and leisure and entertainment companies.
  - e. Producers of essential goods like food, beverages, household products.
  - f. Companies developing, manufacturing, and providing technology products and services.
  - g. Electric utilities, gas utilities, water utilities, and renewable energy companies.
  - h. Real estate investment trusts (REITs), real estate developers, and property management companies.
  - i. Pharmaceutical companies, biotechnology firms, health care providers.
  - j. Companies involved in exploration, production, refining, marketing, and transportation of oil, gas, and fuels.

### Multiple Choice

1. Which sector includes companies like Apple, Microsoft, and Intel?
  - A) Consumer Discretionary
  - B) Information Technology
  - C) Health Care
  - D) Financials
2. The Utilities sector involves companies primarily in:
  - A) Providing communication services
  - B) Manufacturing and selling essential consumer goods
  - C) Generating and distributing electricity, gas, and water
  - D) Developing technology products and services
3. The Real Estate sector includes:
  - A) Banks and insurance companies
  - B) Companies involved in exploration and production of natural resources
  - C) Real estate investment trusts (REITs) and property management firms
  - D) Manufacturers and construction companies

### True or False

1. Sector breakdown shows the allocation of asset weights to different industry sectors.
2. The Financials sector includes companies involved in manufacturing and distribution of consumer goods.
3. The Global Industry Classification Standard (GICS) organizes sectors into 10 categories.

## Answer Key

### Fill in the Blank

1. fund
2. GICS
3. industry
4. financial
5. internet

### Matching

1. j. Companies involved in exploration, production, refining, marketing, and transportation of oil, gas, and fuels.
2. b. Producers of metals, mining companies, and chemical manufacturers.
3. c. Manufacturers, construction companies, aerospace and defense companies.
4. d. Retailers, automakers, media companies, and leisure and entertainment companies.
5. i. Pharmaceutical companies, biotechnology firms, health care providers.
6. f. Companies developing, manufacturing, and providing technology products and services.
7. a. Companies providing communication services through wired and wireless networks.
8. g. Electric utilities, gas utilities, water utilities, and renewable energy companies.
9. h. Real estate investment trusts (REITs), real estate developers, and property management companies.
10. e. Producers of essential goods like food, beverages, household products.

### Multiple Choice

1. B) Information Technology
2. C) Generating and distributing electricity, gas, and water
3. C) Real estate investment trusts (REITs) and property management firms

### True or False

1. True
2. False
3. False

## Lesson 4.3 - What are Shares

### Fill in the Blank

1. Shares are units of \_\_\_\_\_ in a company.
2. Stocks and shares are terms used \_\_\_\_\_.
3. Preferred stock shares offer regular \_\_\_\_\_.
4. Publicly traded shares are found on \_\_\_\_\_.
5. Common stock shares enable \_\_\_\_\_.

### Matching

1. Common Stock Shares
  2. Preferred Stock Shares
  3. Publicly Traded Shares
  4. Authorized Shares
  5. Issued Shares
- 
- a. Offer regular dividends and less market appreciation compared to common shares.
  - b. Number of shares a company is legally allowed to issue.
  - c. Found on stock exchanges and issued by many companies.
  - d. Provide voting rights and possible returns through price appreciation.
  - e. Shares sold to shareholders.

### Multiple Choice

1. What is the primary purpose of shares issued by corporations?
  - A) To provide debt financing
  - B) To raise capital
  - C) To distribute dividends
  - D) To issue bonds
  
2. Which type of shares typically offer voting rights and possible returns through price appreciation?
  - A) Preferred Stock Shares
  - B) Publicly Traded Shares
  - C) Authorized Shares
  - D) Common Stock Shares
  
3. Where are publicly traded shares typically found?
  - A) In private transactions
  - B) On stock exchanges
  - C) In bond markets
  - D) In government auctions

### True or False

1. Shares represent ownership units in a corporation or financial asset.
2. Preferred stock shares typically offer voting rights and higher potential for capital gains compared to common stock shares.
3. Issued shares refer to the total number of shares a company is legally allowed to issue.

## Answer Key

### Fill in the Blank

1. ownership
2. interchangeably
3. dividends
4. stock exchanges
5. voting rights

### Matching

1. d. Provide voting rights and possible returns through price appreciation.
2. a. Offer regular dividends and less market appreciation compared to common shares.
3. c. Found on stock exchanges and issued by many companies.
4. b. Number of shares a company is legally allowed to issue.
5. e. Shares sold to shareholders.

### Multiple Choice

1. B) To raise capital
2. D) Common Stock Shares
3. B) On stock exchanges

### True or False

1. True
2. False
3. False

## Lesson 4.3 - Share Structure

### Fill in the Blank

1. Authorized shares represent the \_\_\_\_\_ number of shares a corporation can legally issue.
2. Issued shares are those \_\_\_\_\_.
3. Outstanding shares include all issued shares except \_\_\_\_\_.
4. Treasury shares do not have \_\_\_\_\_.
5. The float excludes \_\_\_\_\_ shares.
6. Restricted shares are typically given to insiders as part of \_\_\_\_\_.

### Matching

1. Authorized Shares
  2. Issued Shares
  3. Outstanding Shares
  4. Treasury Shares
  5. Float
  6. Restricted Shares
- 
- a. Shares repurchased by the company and not counted as outstanding.
  - b. Maximum number a corporation is legally allowed to issue.
  - c. Shares currently held by all shareholders, excluding treasury shares.
  - d. Available for trading by the public, excluding restricted and closely held shares.
  - e. Shares that are not available for public trading due to restrictions.
  - f. Part of compensation packages for company insiders.

## Multiple Choice

1. What defines authorized shares?
  - A) Shares available for trading by the public.
  - B) Maximum number of shares a company can legally issue.
  - C) Shares currently held by all shareholders.
  - D) Shares repurchased by the company.
  
2. What do treasury shares typically lack?
  - A) Voting rights and dividends.
  - B) Ownership rights and dividends.
  - C) Trading rights and dividends.
  - D) Voting rights and trading rights.
  
3. What is excluded from the float calculation?
  - A) Treasury shares
  - B) Outstanding shares
  - C) Restricted shares
  - D) Issued shares

## True or False

1. True/False: Issued shares represent ownership distribution and are used for calculating dividends.
2. True/False: Treasury shares can be reissued to the public or canceled by the company.
3. True/False: Restricted shares are freely tradable on the open market.
4. True/False: Authorized shares can be changed only through a formal amendment filing with the state.

## Answer Key

### Fill in the Blank

1. maximum
2. sold to investors and currently held by them
3. treasury shares
4. voting rights
5. restricted
6. compensation packages for company insiders

### Matching

1. b. Maximum number a corporation is legally allowed to issue.
2. e. The total number of shares a company has sold to shareholders.
3. c. Shares currently held by all shareholders, excluding treasury shares.
4. a. Shares repurchased by the company and not counted as outstanding.
5. d. Available for trading by the public, excluding restricted and closely held shares.
6. f. Part of compensation packages for company insiders.

### Multiple Choice

1. B) Maximum number of shares a company can legally issue.
2. A) Voting rights and dividends.
3. A) Treasury shares

### True or False

1. True - Issued shares represent ownership distribution and are used for calculating dividends.
2. True - Treasury shares can be reissued to the public or canceled by the company.
3. False - Restricted shares are freely tradable on the open market.
4. True - Authorized shares can be changed only through a formal amendment filing with the state.

## Lesson 4.3 - Market Capitalization

### Fill in the Blank

1. Market capitalization represents the total dollar market value of a company's \_\_\_\_\_.
2. Market cap is calculated by multiplying the \_\_\_\_\_ by the current market value of one share.
3. Large-cap companies typically have a market cap of \_\_\_\_\_ or more.
4. Diluted market cap for digital currencies considers the \_\_\_\_\_ instead of outstanding shares.
5. Market cap does not measure a company's \_\_\_\_\_.

### Matching

1. Market Capitalization
  2. Large-Cap
  3. Mid-Cap
  4. Small-Cap
  5. Micro-Cap
- 
- a. Market cap of \$10 billion or more.
  - b. Market cap between \$2 billion and \$10 billion.
  - c. Market cap below \$250 million.
  - d. Total dollar market value of a company's outstanding shares.
  - e. Market cap between \$250 million and \$2 billion.

### Multiple Choice

1. How is market capitalization calculated?
  - A) Total revenue divided by total assets.
  - B) Current share price multiplied by total number of authorized shares.
  - C) Total number of issued shares multiplied by current share price.
  - D) Net profit divided by total outstanding shares.
  
2. What does a high market cap typically indicate?
  - A) Higher stock price volatility.
  - B) Smaller market presence.
  - C) Less growth potential.
  - D) Larger market presence and brand recognition.
  
3. What is the main difference between large-cap and small-cap companies?
  - A) Large-caps have lower market capitalization.
  - B) Small-caps have less growth potential.
  - C) Large-caps are generally less stable.
  - D) Small-caps offer greater growth opportunities.

### True or False

1. Market cap is calculated by multiplying the number of outstanding shares by the current market price per share.
2. Market cap alone determines a company's equity value accurately.
3. Large-cap companies generally exhibit rapid growth and higher risk compared to small-cap companies.
4. Diluted market cap for digital currencies considers the total number of issued shares.

## Answer Key

### Fill in the Blank

1. outstanding shares of stock
2. number of outstanding shares
3. \$10 billion
4. total number of shares authorized
5. equity value

### Matching

1. d. Total dollar market value of a company's outstanding shares.
2. a. Market cap of \$10 billion or more.
3. b. Market cap between \$2 billion and \$10 billion.
4. e. Market cap between \$250 million and \$2 billion.
5. c. Market cap below \$250 million.

### Multiple Choice

1. C) Total number of issued shares multiplied by current share price.
2. D) Larger market presence and brand recognition.
3. D) Small-caps offer greater growth opportunities.

### True or False

1. True - Market cap is calculated by multiplying the number of outstanding shares by the current market price per share.
2. False - Market cap alone does not determine a company's equity value accurately.
3. False - Large-cap companies generally exhibit lower risk compared to small-cap companies.
4. False - Diluted market cap for digital currencies considers the total number of authorized shares.

## Lesson 4.4 - How to Read a Stock Quote

### Fill in the Blank

1. A stock quote provides the price of a stock as quoted on an exchange, typically presented in \_\_\_\_\_.
2. The bid price represents the highest price \_\_\_\_\_ are willing to pay.
3. Volume traded reflects market activity and \_\_\_\_\_.
4. Understanding stock quotes is crucial for making \_\_\_\_\_ decisions.

### Matching

1. Bid Price
  2. Last Traded Price
  3. Volume Traded
  4. Ask Price
- 
- A. Lowest price sellers are willing to accept.
  - B. Represents buying interest.
  - C. Price at which the last trade occurred.
  - D. Number of shares traded during a specific period.

## Multiple Choice

1. Which component of a stock quote indicates the highest and lowest prices reached during a trading session?
  - A. Bid Price
  - B. Ask Price
  - C. High and Low Prices
  - D. Volume Traded
  
2. What do stock quotes provide insights into?
  - A. Weather forecasts
  - B. Market trends and investor sentiment
  - C. Historical events
  - D. Cooking recipes

## True or False:

1. Stock quotes are only available on weekdays.
2. Understanding bid and ask prices is essential for evaluating market interest in a stock.
3. Stock quotes include information about a company's total assets.

## Answer Key

### Fill in the Blank

1. decimals
2. buyers
3. liquidity
4. investment

### Matching

1. B
2. C
3. D
4. A

### Multiple Choice

1. C. High and Low Prices
2. B. Market trends and investor sentiment

### True or False

1. False
2. True
3. False

## dLesson 4.4 - Stock Order Types

### Fill in the Blank

1. A buy market order is an instruction to purchase a stock immediately at the best available current market \_\_\_\_\_.
2. Investor C wants to buy 100 shares of DEF Corporation only if the stock price drops to \$40 per share or lower. They place a \_\_\_\_\_ at \$40 to execute the purchase at their desired price point.
3. A sell stop-loss order is an instruction to sell a stock once its price reaches a specified level \_\_\_\_\_ the current market price.
4. Investor G sets a buy stop-limit order with a stop price of \$60 and a limit price of \$62 to capitalize on a potential price \_\_\_\_\_ in PQR Corp.

### Matching

1. Buy Market Order
  2. Sell Market Order
  3. Buy Stop-Loss Order
  4. Sell Stop-Loss Order
  5. Buy Stop-Limit Order
  6. Sell Stop-Limit Order
- 
- a. Instruction to buy a stock once its price reaches a specified level above the current market price, but only at or below a specific limit price.
  - b. Instruction to sell a stock once its price reaches a specified level below the current market price.
  - c. Instruction to sell a stock immediately at the best available current market price.
  - d. Instruction to sell a stock at a specified price or higher.
  - e. Instruction to buy a stock once its price reaches a specified level above the current market price.
  - f. Instruction to buy a stock at a specified price or lower.

## Multiple Choice

1. How does a sell limit order differ from a sell market order?
  - A) Sell limit order executes at any price.
  - B) Sell limit order has no price restrictions.
  - C) Sell limit order executes at a specified price or higher.
  - D) Sell limit order executes at the lowest available price.
2. What is the primary purpose of a buy stop-loss order?
  - A) To buy stock below the current market price.
  - B) To sell stock above the current market price.
  - C) To buy stock once its price exceeds a specified level.
  - D) To limit potential losses by buying stock if its price starts rising.
3. When would an investor typically use a sell stop-limit order?
  - A) To sell stock immediately at the current market price.
  - B) To sell stock once its price drops to a specified level.
  - C) To protect gains by selling stock only at or above a specified price.
  - D) To capitalize on a potential price increase by selling stock at a limit price.

## True or False

1. A buy market order guarantees the execution of a trade at the specified price.
2. A sell stop-loss order is used to protect gains by selling stock once its price reaches a specified level.
3. Limit orders provide more control over the price at which a trade is executed compared to market orders.

## Answer Key

### Fill in the Blank

1. price
2. buy limit order
3. below
4. breakout

### Matching

1. c
2. d
3. e
4. b
5. a
6. f

### Multiple Choice

1. c
2. d
3. c

### True or False

1. False
2. True
3. True

## Lesson 4.4 - Bid and Ask

### Fill in the Blank

1. Bid and ask represent the highest price a buyer will pay and the lowest price a seller will \_\_\_\_\_ for a security.
2. The difference between bid and ask prices is known as the \_\_\_\_\_, indicating the liquidity of the asset.
3. Investors typically buy at the \_\_\_\_\_ price and sell at the \_\_\_\_\_ price, facing the bid-ask spread as an implied cost of trading.
4. Market makers profit from bid-ask spreads by buying at lower bid prices and selling at higher \_\_\_\_\_ prices.

### Matching

1. Bid Price
  2. Ask Price
  3. Bid-Ask Spread
  4. Market Makers
- 
- a. Lowest price a seller will accept.
  - b. Difference between bid and ask prices.
  - c. Facilitate trading by providing bid and ask prices, profiting from the bid-ask spread.
  - d. Highest price a buyer will pay.

## Multiple Choice

1. What does a narrower bid-ask spread typically indicate?
  - A) Higher trading costs.
  - B) Lower liquidity.
  - C) Greater liquidity.
  - D) Higher market volatility.
2. When do bid and ask prices adjust in the market?
  - A) Only during market openings.
  - B) When there is an imbalance between buying and selling pressure.
  - C) At fixed intervals throughout the trading day.
  - D) Independently of trading activity.
3. Who benefits directly from bid-ask spreads in the market?
  - A) Retail investors.
  - B) Stock analysts.
  - C) Market makers.
  - D) Regulatory bodies.

## True or False

1. True/False: Bid price is the lowest price a buyer will pay for a security.
2. True/False: Wide bid-ask spreads suggest greater market liquidity.
3. True/False: Market makers profit from bid-ask spreads by buying at higher bid prices and selling at lower ask prices.

## Answer Key

### Fill in the Blank

1. accept
2. spread
3. ask, bid
4. ask

### Matching

1. d. Highest price a buyer will pay.
2. a. Lowest price a seller will accept.
3. b. Difference between bid and ask prices.
4. c. Facilitate trading by providing bid and ask prices, profiting from the bid-ask spread.

### Multiple Choice

1. C) Greater liquidity.
2. B) When there is an imbalance between buying and selling pressure.
3. C) Market makers.

### True or False

1. False
2. False
3. False

## Lesson 4.5 - Mutual Funds, Index Funds, ETFs, and REITs

### Fill in the Blank

1. Mutual Funds are pooled investment vehicles managed by professional fund managers, investing in a diversified portfolio of \_\_\_\_\_, \_\_\_\_\_, or other assets.
2. Index Funds are passively managed funds designed to replicate the performance of a specific \_\_\_\_\_.
3. ETFs (Exchange-Traded Funds) are investment funds traded on \_\_\_\_\_, combining features of stocks and mutual funds.
4. REITs (Real Estate Investment Trusts) are companies that own, operate, or finance income-producing \_\_\_\_\_ across various sectors.

### Matching

1. Managed by experienced fund managers who make investment decisions.
2. Passively managed funds designed to replicate the performance of a specific market index.
3. Investment funds traded on stock exchanges, providing intraday pricing and flexibility.
4. Companies that own, operate, or finance income-producing real estate.

- a. Mutual Funds
- b. Index Funds
- c. ETFs
- d. REITs

## Multiple Choice

1. ETFs are traded throughout the day on stock exchanges like stocks, providing:
  - A) Monthly pricing
  - B) Intraday pricing
  - C) Yearly pricing
  - D) Weekly pricing
  
2. Which investment vehicle typically has the lowest expense ratios?
  - A) Mutual Funds
  - B) Index Funds
  - C) ETFs
  - D) REITs
  
3. REITs are subject to market fluctuations and are sensitive to changes in:
  - A) GDP growth
  - B) Interest rates
  - C) Stock prices
  - D) Bond yields

## True or False

1. True/False: Mutual Funds are actively managed by fund managers who aim to outperform the market.
2. True/False: Index Funds aim to replicate the performance of a specific market index and have lower expense ratios compared to actively managed funds.
3. True/False: ETFs trade on stock exchanges and provide intraday pricing, but they have higher expense ratios compared to mutual funds.

## Answer Key

### Fill in the Blank

1. stocks, bonds
2. market index
3. stock exchanges
4. real estate

### Matching

1. a. Mutual Funds
2. b. Index Funds
3. c. ETFs
4. d. REITs

### Multiple Choice

1. B) Intraday pricing
2. C) ETFs
3. B) Interest rates

### True or False

1. True
2. True
3. False

## Lesson 4.5 - Weighting Methodologies

### Fill in the Blank

1. Market capitalization weighting is calculated by multiplying the share price by the \_\_\_\_\_.
2. Equal weighting assigns the \_\_\_\_\_ weight to each security in the portfolio.
3. Market cap weighting gives more weight to larger companies, reflecting \_\_\_\_\_.

### Matching

1. Market Cap Weighting
2. Equal Weighting

- a. Assigns weights based on market capitalization.
- b. Assigns equal weight to each security, regardless of market size.

### Multiple Choice

1. How does market cap weighting reflect market trends?
  - A) By assigning higher weight to smaller companies.
  - B) By giving equal weight to all companies.
  - C) By giving more weight to larger companies.
  - D) By ignoring market trends.
2. What is a potential disadvantage of equal weighting?
  - A) Lower exposure to large-cap stocks.
  - B) Higher turnover and rebalancing costs.
  - C) Concentration risk in large-cap stocks.
  - D) Overexposure to overvalued stocks.

### True or False

1. Market cap weighting may lead to overexposure to overvalued stocks.
2. Equal weighting requires less frequent rebalancing compared to market cap weighting.
3. Market cap weighting reduces concentration risk in larger-cap stocks.

## Answer Key

### Fill in the Blank:

1. number of shares outstanding
2. same
3. market trends

### Matching:

1. a
2. b

### Multiple Choice:

1. c
2. b

### True or False:

1. True
2. False
3. False

## Lesson 4.6 - How Dividends Work

### Fill in the Blank

1. A dividend is the distribution of a company's \_\_\_\_\_ to its shareholders.
2. Common shareholders must own the stock before the \_\_\_\_\_ to receive dividends.
3. Dividend Yield is calculated as the dividend per share expressed as a percentage of the \_\_\_\_\_.

### Matching

1. Ex-Dividend Date
  2. Dividend Yield
  3. Record Date
- a. Cutoff for dividend eligibility.
- b. Percentage of dividend relative to share price.
- c. Establishes eligible shareholders.

### Multiple Choice

1. How often can dividends be paid out?
  - A) Annually
  - B) Monthly
  - C) Quarterly
  - D) All of the above
2. What is a potential indicator of a company's profitability and stability?
  - A) Payment Date
  - B) Announcement Date
  - C) Dividend Yield
  - D) Record Date

### True or False

1. Dividends are always paid out in cash.
2. The ex-dividend date determines whether shareholders receive the dividend.
3. Dividend payments can be affected by a company's reinvestment opportunities.

## Answer Key

### Fill in the Blank

1. earnings
2. ex-dividend date
3. share price

### Matching

1. Ex-Dividend Date: a. Cutoff for dividend eligibility.
2. Dividend Yield: b. Percentage of dividend relative to share price.
3. Record Date: c. Establishes eligible shareholders.

### Multiple Choice

1. D) All of the above
2. C) Dividend Yield

### True or False

1. False
2. True
3. True

## Lesson 4.7 - Introduction to Derivatives

### Fill in the Blanks

1. A derivative is a financial contract whose value depends on an \_\_\_\_\_ asset, group of assets, or benchmark.
2. Derivatives can be used for purposes such as \_\_\_\_\_ against risk or speculating on asset price movements.
3. Examples of derivatives include futures contracts, forwards, options, and \_\_\_\_\_.
4. Derivatives are traded on exchanges like the \_\_\_\_\_ or over-the-counter (OTC).
5. Options give the holder the right, but not the obligation, to \_\_\_\_\_ an asset at a specific price.
6. Derivatives are complex instruments used by traders to access specific markets and trade different \_\_\_\_\_.
7. OTC derivatives carry higher \_\_\_\_\_ risk compared to exchange-traded derivatives.
8. \_\_\_\_\_ can help manage interest rate or currency exchange rate risks.
9. Derivatives are leveraged instruments, which means they can increase potential \_\_\_\_\_ and rewards.
10. The \_\_\_\_\_ determines the value of derivatives.

### Matching

1. Futures Contracts
  2. Forwards
  3. Options
  4. Swaps
- 
- A. Agreements to purchase and deliver an asset at an agreed-upon price in the future, traded on exchanges.
  - B. Similar to futures but traded OTC, customized terms increase counterparty risk.
  - C. Contracts giving the right, but not obligation, to buy or sell an asset at a specific price.
  - D. Used to exchange one kind of cash flow with another, such as interest rate swaps or currency swaps.

Multiple Choice:

1. Derivatives are primarily used for:
  - A. Long-term investing
  - B. Hedging against risk
  - C. Providing dividends
  - D. None of the above
2. Which of the following is a disadvantage of derivatives?
  - A. Low volatility
  - B. High liquidity
  - C. Counterparty default risk
  - D. Transparent pricing
3. Options contracts provide the right to:
  - A. Sell an asset at a specific price
  - B. Buy an asset at any price
  - C. Buy an asset at a specific price
  - D. Sell an asset at any price

True/False

1. Derivatives are simple financial instruments.
2. Exchange-traded derivatives are less regulated than OTC derivatives.
3. Swaps are used to exchange one kind of cash flow with another.

## Answer Key

### Fill in the Blanks

1. underlying
2. hedging
3. swaps
4. Chicago Mercantile Exchange (CME)
5. sell
6. assets
7. counterparty
8. Swaps
9. risks
10. market

### Matching

1. A - Futures Contracts
2. B - Forwards
3. C - Options
4. D - Swaps

### Multiple Choice

1. B - Hedging against risk
2. C - Counterparty default risk
3. C - Buy an asset at a specific price

### True/False

1. False
2. False
3. True

## Lesson 4.7 - Options

### Fill in the Blanks

1. Options give the holder the right, but not the obligation, to buy or sell an \_\_\_\_\_ asset at a predetermined price.
2. A call option gives the holder the right to \_\_\_\_\_ the underlying asset at the strike price.
3. A put option gives the holder the right to \_\_\_\_\_ the underlying asset at the strike price.
4. Options can be used for \_\_\_\_\_ against potential losses or speculating on price movements.
5. The \_\_\_\_\_ is the price at which the option holder can buy (call option) or sell (put option) the underlying asset.
6. The \_\_\_\_\_ is the date when the option contract expires.
7. The \_\_\_\_\_ is the price paid to buy an option contract.

### Matching

1. Call Option
  2. Put Option
  3. Strike Price
  4. Expiration Date
  5. Premium
- A. The price at which the option holder can buy the underlying asset (for call options) or sell it (for put options).
- B. The date when the option contract expires and becomes invalid.
- C. Gives the holder the right to buy the underlying asset at the strike price.
- D. Gives the holder the right to sell the underlying asset at the strike price.
- E. The price paid to acquire the rights associated with the option.

## Multiple Choice

- Options trading involves:
  - Guaranteed returns
  - High risks
  - No expiration dates
  - Low premiums
- Which option gives you the right to sell the underlying asset at the strike price?
  - Call option
  - Put option
  - Premium
  - Strike price
- Options are often used for:
  - Long-term investing
  - Speculating on price movements
  - Guaranteed dividends
  - All of the above

## True/False:

- Options trading does not involve any risks.
- The premium of an option is the cost of acquiring the rights associated with the option.
- Call options give the holder the right to sell the underlying asset at the strike price.

## Answer Key

### Fill in the Blanks

1. underlying
2. buy
3. sell
4. hedging
5. strike price
6. expiration date
7. premium

### Matching

1. C - Call Option
2. D - Put Option
3. A - Strike Price
4. B - Expiration Date
5. E - Premium

### Multiple Choice

1. B - High risks
2. B - Put option
3. B - Speculating on price movements

### True/False

1. False
2. True
3. False

## Lesson 4.7 - Futures

### Fill in the Blanks

1. Futures trading involves buying or selling contracts that promise to deliver a specific quantity of an asset at a predetermined price on a \_\_\_\_\_ date.
2. Futures contracts can be based on various assets such as \_\_\_\_\_ (like oil, gold, or wheat), financial instruments (like stock indices or currencies), or even weather conditions.
3. Futures contracts are standardized agreements traded on \_\_\_\_\_ exchanges.
4. Futures trading often involves \_\_\_\_\_, allowing traders to control a larger position with a smaller amount of capital.
5. Market participants in futures markets include \_\_\_\_\_, hedgers, and arbitrageurs.

### Matching

1. Speculators
  2. Hedgers
  3. Arbitrageurs
  4. Standardization
  5. Leverage
- A. Traders aiming to profit from price changes in the underlying asset.
- B. Participants using futures contracts to mitigate risks associated with price fluctuations.
- C. Taking advantage of price discrepancies in different markets.
- D. Futures contracts are agreements specifying the quantity, quality, delivery date, and settlement terms.
- E. Involves using borrowed capital to increase the potential return of an investment.

## Multiple Choice

1. Futures trading often involves:
  - A. Physical delivery
  - B. Cash settlement
  - C. Leverage
  - D. All of the above
  
2. Hedgers use futures contracts to:
  - A. Speculate on price movements
  - B. Diversify their portfolio
  - C. Mitigate risks
  - D. None of the above
  
3. Clearinghouses in futures trading:
  - A. Guarantee the performance of futures contracts
  - B. Act as brokers for traders
  - C. Speculate on price movements
  - D. None of the above

## True/False

1. Futures contracts are customized agreements traded over-the-counter (OTC).
2. Leverage in futures trading can amplify both potential profits and losses.
3. Futures markets are regulated to ensure fairness and transparency in trading.

## Answer Key

### Fill in the Blanks

1. predetermined
2. commodities
3. organized
4. leverage
5. speculators

### Matching

1. A - Speculators
2. B - Hedgers
3. C - Arbitrageurs
4. D - Standardization
5. E - Leverage

### Multiple Choice

1. C - Leverage
2. C - Mitigate risks
3. A - Guarantee the performance of futures contracts

### True/False

1. False
2. True
3. True

## Lesson 5.1 - Introduction to Fundamental Analysis

### Fill in the Blanks

1. Fundamental analysis measures a security's \_\_\_\_\_ value by examining economic and financial factors.
2. The goal of fundamental analysis is to determine if a security is \_\_\_\_\_ or \_\_\_\_\_ compared to its current price.
3. Fundamental analysis contrasts with \_\_\_\_\_ analysis, which studies historical price trends.
4. In top-down analysis, the process starts with \_\_\_\_\_ analysis, followed by \_\_\_\_\_ analysis, and then \_\_\_\_\_ analysis.
5. Bottom-up analysis starts with \_\_\_\_\_ analysis, then \_\_\_\_\_ analysis, and finally \_\_\_\_\_ analysis.
6. Fundamental analysis uses publicly available financial data such as \_\_\_\_\_ reports and annual reports on company websites.
7. Fundamental analysis helps estimate a stock's \_\_\_\_\_ value, which is its true value.
8. Quantitative analysis considers measurable characteristics like \_\_\_\_\_ and \_\_\_\_\_.
9. Qualitative analysis considers intangible factors such as \_\_\_\_\_ and \_\_\_\_\_.

### Matching

1. Top-Down Analysis
  2. Bottom-Up Analysis
  3. Intrinsic Value
  4. Quantitative Analysis
  5. Qualitative Analysis
- A. Measurable characteristics (revenue, profit, assets).
- B. Intangible factors (management quality, brand recognition).
- C. Analyzes economic, industry, and company factors in that order.
- D. The true value of a stock as estimated by fundamental analysis.
- E. Starts with individual company analysis and considers broader economic impacts later.

## Multiple Choice

1. Fundamental analysis primarily aims to:
  - A. Identify historical price trends
  - B. Determine a stock's intrinsic value
  - C. Analyze past trading volumes
  - D. Predict short-term market movements
2. Which of the following is NOT a step in top-down analysis?
  - A. Economic Analysis
  - B. Industry Analysis
  - C. Company Analysis
  - D. Technical Analysis
3. Quantitative fundamentals include all of the following EXCEPT:
  - A. Revenue
  - B. Management quality
  - C. Earnings per share
  - D. Debt-to-equity ratio
4. Which ratio assesses the market's valuation of a company's earnings?
  - A. Price-to-Book Ratio
  - B. Current Ratio
  - C. Price-to-Earnings Ratio
  - D. Quick Ratio
5. Which analysis method uses financial statements and ratios to assess value?
  - A. Technical Analysis
  - B. Quantitative Analysis
  - C. Qualitative Analysis
  - D. Fundamental Analysis

True/False

1. Fundamental analysis relies on historical price trends and trading volumes.
2. Top-down analysis starts with company analysis and then moves to economic analysis.
3. Earnings per share (EPS) is a quantitative fundamental.
4. Qualitative analysis includes evaluating a company's business model and competitive advantage.
5. The goal of fundamental analysis is to make short-term predictions about stock prices.

## Answer Key

### Fill in the Blanks

1. intrinsic
2. undervalued, overvalued
3. technical
4. economic, industry, company
5. company, industry, economic
6. 10-Q, 10-K, 8-K
7. intrinsic
8. revenue, earnings
9. management quality, brand recognition

### Matching

1. C - Top-Down Analysis
2. E - Bottom-Up Analysis
3. D - Intrinsic Value
4. A - Quantitative Analysis
5. B - Qualitative Analysis

### Multiple Choice

1. B - Determine a stock's intrinsic value
2. D - Technical Analysis
3. B - Management quality
4. C - Price-to-Earnings Ratio
5. D - Fundamental Analysis

### True/False

1. False
2. False
3. True
4. True
5. False

## Lesson 5.1 - SEC Filings

### Fill in the Blanks

1. The Securities and Exchange Commission (SEC) requires periodic \_\_\_\_\_ and disclosures from public companies, certain insiders, and broker-dealers.
2. SEC filings are accessible for free via the \_\_\_\_\_ database.
3. The SEC was created by the Securities Exchange Act of \_\_\_\_\_.
4. Form \_\_\_\_\_ is an annual report detailing a company's financial performance.
5. Form \_\_\_\_\_ is a quarterly report providing a snapshot of the company's financial condition.
6. Form \_\_\_\_\_ is used to disclose major events between 10-K and 10-Q filings.
7. \_\_\_\_\_ Statements are filed before shareholder meetings to present issues to be voted on.
8. Forms 3, 4, and 5 disclose \_\_\_\_\_ ownership and trading.
9. Schedule \_\_\_\_\_ is filed when an entity acquires 5% or more of a company's voting shares.
10. Form \_\_\_\_\_ is filed when corporate insiders intend to sell restricted stock.

### Matching

1. Form 10-K
  2. Form 10-Q
  3. Form 8-K
  4. Proxy Statement
  5. Forms 3, 4, and 5
  6. Schedule 13D
  7. Form 144
- 
- A. Disclose insider ownership and trading.
  - B. Filed when corporate insiders intend to sell restricted stock.
  - C. Annual report detailing a company's financial performance.
  - D. Quarterly report providing a snapshot of the company's financial condition.
  - E. Filed before shareholder meetings to present issues to be voted on.
  - F. Used to disclose major events between 10-K and 10-Q filings.
  - G. Filed when an entity acquires 5% or more of a company's voting shares.

## Multiple Choice

1. The SEC was created by the:
  - A. Securities Act of 1933
  - B. Securities Exchange Act of 1934
  - C. Investment Company Act of 1940
  - D. Sarbanes-Oxley Act of 2002
2. Which form is used to disclose significant events like mergers or changes in executive leadership?
  - A. Form 10-K
  - B. Form 10-Q
  - C. Form 8-K
  - D. Proxy Statement
3. Forms 3, 4, and 5 are important because they:
  - A. Detail a company's annual financial performance
  - B. Provide quarterly financial snapshots
  - C. Disclose insider ownership and trading
  - D. Present issues to be voted on at shareholder meetings
4. Schedule 13D is filed when an entity acquires:
  - A. More than 10% of a company's voting shares
  - B. Exactly 10% of a company's voting shares
  - C. 5% or more of a company's voting shares
  - D. Less than 5% of a company's voting shares
5. Which form helps predict potential stock price impacts due to insider sales?
  - A. Form 10-K
  - B. Form 10-Q
  - C. Schedule 13D
  - D. Form 144

True/False

1. SEC filings are only accessible through paid financial platforms.
2. Form 10-Q is more detailed than Form 10-K and contains audited financial statements.
3. Proxy Statements allow shareholders to vote on corporate matters and understand executive compensation.
4. The EDGAR database provides free access to SEC filings.
5. Form 144 is filed when corporate insiders intend to sell restricted stock.

## Answer Key

### Fill in the Blanks

1. financial statements
2. EDGAR
3. 1934
4. 10-K
5. 10-Q
6. 8-K
7. Proxy
8. insider
9. 13D
10. 144

### Matching

1. C - Form 10-K
2. D - Form 10-Q
3. F - Form 8-K
4. E - Proxy Statement
5. A - Forms 3, 4, and 5
6. G - Schedule 13D
7. B - Form 144

### Multiple Choice

1. B - Securities Exchange Act of 1934
2. C - Form 8-K
3. C - Disclose insider ownership and trading
4. C - 5% or more of a company's voting shares
5. D - Form 144

### True/False

1. False
2. False
3. True
4. True
5. True

## Lesson 5.2 - Financial Accounting

### Fill in the Blanks

1. Financial accounting involves recording, summarizing, and reporting \_\_\_\_\_ over a period, resulting in the preparation of financial statements.
2. Financial reports include balance sheets, income statements, cash flow statements, and changes in \_\_\_\_\_ equity.
3. Financial accounting is used by nonprofits, corporations, and \_\_\_\_\_ businesses to prepare books, records, and financial reports.
4. GAAP stands for \_\_\_\_\_ Accepted Accounting Principles.
5. The balance sheet reports financial position at a specific date, listing assets, \_\_\_\_\_, and equity.
6. The accrual method records transactions when benefits or \_\_\_\_\_ occur.
7. The cost principle records costs at \_\_\_\_\_ cost and expenses them appropriately over time.
8. The \_\_\_\_\_ principle includes footnotes, schedules, or commentary for transparency.
9. Financial accounting provides a critical framework for translating business operations into reliable \_\_\_\_\_.
10. Investors use financial statements to assess company \_\_\_\_\_ and future potential.

## Matching

1. Balance Sheet
2. Income Statement
3. Cash Flow Statement
4. Shareholders' Equity Statement
5. Accrual Method
6. Cash Method
7. Revenue Recognition
8. Cost Principle
9. Matching Principle
10. Full Disclosure

- A. Reports cash usage in operations, financing, and investments.
- B. Revenue recognized when earned.
- C. Records financial position at a specific date.
- D. Includes footnotes, schedules, or commentary for transparency.
- E. Records transactions when benefits/liabilities occur.
- F. Reports changes in equity over a period.
- G. Reports operating activity over a period.
- H. Costs recorded at transaction cost and expensed appropriately over time.
- I. Records transactions when cash is received/distributed.
- J. Revenue and expenses recorded in the same period.

## Multiple Choice

1. Financial accounting is primarily for:
  - A. Internal strategic planning
  - B. External reporting
  - C. Tax preparation
  - D. Inventory management
2. Which method of accounting records transactions when cash is received or distributed?
  - A. Accrual method
  - B. Matching method
  - C. Cash method
  - D. Cost method
3. GAAP is primarily used by:
  - A. International companies
  - B. U.S. public companies
  - C. Nonprofit organizations
  - D. Small businesses
4. The principle that ensures financial statements are prepared objectively is:
  - A. Revenue recognition
  - B. Matching principle
  - C. Cost principle
  - D. Objectivity principle
5. The \_\_\_\_\_ statement reports operating activity over a period, listing revenue, expenses, and net income.
  - A. Balance sheet
  - B. Income statement
  - C. Cash flow statement
  - D. Shareholders' equity statement

True/False

1. Financial accounting is used for internal strategic planning and flexible methodology. (True/False)
2. The cash method of accounting is required for larger companies. (True/False)
3. Financial accounting creates consistency across periods and companies. (True/False)
4. The accrual method records transactions when cash is received or distributed. (True/False)
5. Investors use financial statements to assess company performance and future potential.  
(True/False)

## Answer Key

### Fill in the Blanks

1. business transactions
2. shareholder
3. small
4. Generally
5. liabilities
6. liabilities
7. transaction
8. full disclosure
9. financial statements
10. performance

### Matching

1. C - Balance Sheet
2. G - Income Statement
3. A - Cash Flow Statement
4. F - Shareholders' Equity Statement
5. E - Accrual Method
6. I - Cash Method
7. B - Revenue Recognition
8. H - Cost Principle
9. J - Matching Principle
10. D - Full Disclosure

### Multiple Choice

1. B - External reporting
2. C - Cash method
3. B - U.S. public companies
4. D - Objectivity principle
5. B - Income statement

### True/False

1. False
2. False
3. True
4. False
5. True

## Lesson 5.2 - Financial Statements - Balance Sheet, Income Statement, Cash Flow

### Fill in the Blanks

1. Financial Statement Analysis involves analyzing a company's \_\_\_\_\_ for decision-making purposes.
2. The purpose of financial statement analysis is to understand overall health, evaluate \_\_\_\_\_ performance, and manage finances.
3. Techniques of financial statement analysis include horizontal analysis, vertical analysis, and \_\_\_\_\_ analysis.
4. The balance sheet includes assets, liabilities, and \_\_\_\_\_ equity.
5. The income statement analyzes business efficiency with gross profit, operating profit, and \_\_\_\_\_ income.
6. The cash flow statement provides an overview of cash flows from operating, investing, and \_\_\_\_\_ activities.
7. Free cash flow statements estimate net present value based on \_\_\_\_\_ flow.
8. Horizontal analysis compares historical data for growth \_\_\_\_\_.
9. Vertical analysis compares items on a financial statement in relation to each \_\_\_\_\_.
10. \_\_\_\_\_ analysis compares line-item data for metrics like P/E ratios and earnings per share.

### Matching

1. Balance Sheet
  2. Income Statement
  3. Cash Flow Statement
  4. Free Cash Flow Statement
  5. Horizontal Analysis
  6. Vertical Analysis
  7. Ratio Analysis
  8. Revenue Growth
  9. Liabilities Management
  10. Operating Cash Flow
- 
- A. Consistent positive cash flow from core business operations.
  - B. Compares historical data for growth trends.
  - C. Shows financial worth in terms of book value, including assets, liabilities, and shareholder equity.
  - D. Trends in capital expenditures and investment activities.
  - E. Provides a snapshot of the company's financial position at a specific point in time.
  - F. Breaks down revenue against expenses for net profit/loss.
  - G. Estimate net present value based on cash flow.
  - H. Compares items on a financial statement in relation to each other.
  - I. Indicates increasing sales and market demand.
  - J. Stable or decreasing liabilities, especially long-term debt.

## Multiple Choice

1. Financial statement analysis is used by:
  - A. Only internal stakeholders
  - B. Only external stakeholders
  - C. Both internal and external stakeholders
  - D. Only regulatory agencies
2. The income statement reports:
  - A. Financial position at a specific date
  - B. Cash inflows and outflows
  - C. Revenue against expenses for net profit/loss
  - D. Changes in shareholders' equity
3. Which financial statement provides an overview of cash flows from operating, investing, and financing activities?
  - A. Balance Sheet
  - B. Income Statement
  - C. Cash Flow Statement
  - D. Free Cash Flow Statement
4. Ratio analysis is a technique used to:
  - A. Compare historical data for growth trends
  - B. Compare items on a financial statement in relation to each other
  - C. Compare line-item data for specific metrics
  - D. Estimate net present value based on cash flow
5. Vertical analysis:
  - A. Compares historical data for growth trends
  - B. Compares items on a financial statement in relation to each other
  - C. Provides an overview of cash flows from operating activities
  - D. Reports financial position at a specific date

## True/False

1. The balance sheet shows financial worth in terms of book value and includes assets, liabilities, and shareholder equity.
2. The income statement provides an overview of cash flows from operating, investing, and financing activities.
3. Financial statements are used internally and externally for performance evaluation.
4. Horizontal analysis compares items on a financial statement in relation to each other.
5. Investors use financial statements to evaluate profitability, assess financial health, and analyze cash flow.

## Answer Key

### Fill in the Blanks

1. financial statements
2. financial
3. ratio
4. shareholder
5. net
6. financing
7. cash
8. trends
9. other
10. Ratio

### Matching

1. C - Balance Sheet
2. F - Income Statement
3. A - Cash Flow Statement
4. G - Free Cash Flow Statement
5. B - Horizontal Analysis
6. H - Vertical Analysis
7. J - Ratio Analysis
8. I - Revenue Growth
9. J - Liabilities Management
10. A - Operating Cash Flow

### Multiple Choice

1. C - Both internal and external stakeholders
2. C - Revenue against expenses for net profit/loss
3. C - Cash Flow Statement
4. C - Compare line-item data for specific metrics
5. B - Compares items on a financial statement in relation to each other

### True/False

1. True
2. False
3. True
4. False
5. True

## Lesson 5.2 - Analyzing Financial Statements - Ratio Analysis

### Fill in the Blanks

1. Ratio analysis is a quantitative method for evaluating \_\_\_\_\_, operational efficiency, and profitability by analyzing financial statements.
2. Liquidity ratios measure a company's ability to pay short-term \_\_\_\_\_.
3. Solvency ratios evaluate a company's ability to sustain \_\_\_\_\_ debt.
4. The \_\_\_\_\_ ratio measures a company's liquidity by comparing current assets to current liabilities.
5. A quick ratio below 1 indicates potential difficulty in meeting short-term obligations without selling \_\_\_\_\_.
6. \_\_\_\_\_ Per Share (EPS) indicates company profitability per outstanding share of common stock.
7. The P/E ratio compares a company's stock price to its \_\_\_\_\_ per share.
8. The debt-to-equity ratio measures a company's debt relative to its \_\_\_\_\_.
9. Return on Equity (ROE) measures a company's profitability by assessing how effectively it uses shareholder \_\_\_\_\_ to generate profits.
10. \_\_\_\_\_ analysis compares line-item data to assess profitability, liquidity, operational efficiency, and solvency.

## Matching

1. Liquidity Ratios
2. Solvency Ratios
3. Profitability Ratios
4. Efficiency Ratios
5. Coverage Ratios
6. Market Prospect Ratios
7. Working Capital Ratio
8. Quick Ratio
9. Earnings Per Share (EPS)
10. Price-Earnings (P/E) Ratio

- A. Measures short-term debt payment ability.
- B. Measures debt-related obligations.
- C. Compares a company's stock price to its earnings per share.
- D. Measures liquidity excluding inventory.
- E. Indicates company profitability per outstanding share of common stock.
- F. Evaluate asset utilization for sales.
- G. Measures a company's liquidity by comparing current assets to current liabilities.
- H. Measure long-term debt sustainability.
- I. Assess profit generation.
- J. Used in fundamental analysis (e.g., dividend yield).

## Multiple Choice

1. Ratio analysis is a core aspect of:
  - A. Technical analysis
  - B. Fundamental equity analysis
  - C. Trend analysis
  - D. Market sentiment analysis
2. Which ratio measures a company's liquidity by comparing current assets to current liabilities?
  - A. Quick Ratio
  - B. Working Capital Ratio
  - C. Debt-to-Equity Ratio
  - D. Return on Equity
3. The P/E ratio helps in comparing:
  - A. Liquidity
  - B. Profitability
  - C. Stock price to earnings per share
  - D. Debt to equity
4. A higher debt-to-equity ratio suggests:
  - A. Less reliance on debt funding
  - B. Higher reliance on equity funding
  - C. Higher financial leverage and potential financial instability
  - D. Better profitability
5. Which ratio indicates how effectively a company uses shareholder equity to generate profits?
  - A. Quick Ratio
  - B. Debt-to-Equity Ratio
  - C. Return on Equity (ROE)
  - D. Working Capital Ratio

True/False

1. Liquidity ratios measure the ability of a company to meet its long-term obligations.
2. Solvency ratios evaluate a company's long-term debt sustainability.
3. The quick ratio excludes inventory when measuring liquidity.
4. Earnings Per Share (EPS) indicates the company's stock price.
5. Return on Equity (ROE) measures profitability by assessing how effectively a company uses its assets.

## Answer Key

### Fill in the Blanks

1. liquidity
2. debts
3. long-term
4. working capital
5. inventory
6. Earnings
7. earnings
8. equity
9. equity
10. Ratio

### Matching

1. A - Liquidity Ratios
2. H - Solvency Ratios
3. I - Profitability Ratios
4. F - Efficiency Ratios
5. B - Coverage Ratios
6. J - Market Prospect Ratios
7. G - Working Capital Ratio
8. D - Quick Ratio
9. E - Earnings Per Share (EPS)
10. C - Price-Earnings (P/E) Ratio

### Multiple Choice

1. B - Fundamental equity analysis
2. B - Working Capital Ratio
3. C - Stock price to earnings per share
4. C - Higher financial leverage and potential financial instability
5. C - Return on Equity (ROE)

### True/False

1. False
2. True
3. True
4. False
5. False

## Lesson 5.2 - Analyzing Financial Statements - Horizontal vs Vertical Analysis

### Fill in the Blanks

1. Horizontal analysis compares historical data over multiple \_\_\_\_\_, showing changes in line items or ratios.
2. The purpose of horizontal analysis is to spot \_\_\_\_\_, assess growth patterns, and evaluate financial position.
3. Vertical analysis expresses line items as \_\_\_\_\_ of a base figure, showing their relative importance.
4. The purpose of vertical analysis is to understand the \_\_\_\_\_ of each item to the total.
5. Horizontal analysis is useful for projecting \_\_\_\_\_ trends and performance.
6. Vertical analysis makes \_\_\_\_\_ easier by showing proportions of account balances.
7. A key advantage of horizontal analysis is that it highlights trends, strengths, and \_\_\_\_\_ over time.
8. A key advantage of vertical analysis is that it allows easy comparison of different \_\_\_\_\_ and periods.
9. A con of horizontal analysis is that it can be influenced by the comparison \_\_\_\_\_ chosen.
10. A con of vertical analysis is that it doesn't consider \_\_\_\_\_ numbers, which can affect comparisons.

## Matching

1. Horizontal Analysis
2. Vertical Analysis
3. Example of Horizontal Analysis
4. Example of Vertical Analysis
5. Pros of Horizontal Analysis
6. Cons of Horizontal Analysis
7. Pros of Vertical Analysis
8. Cons of Vertical Analysis

- A. Compares historical data over different periods.
- B. Compares line items within the same period.
- C. Comparing net income from year to year to assess growth.
- D. Expressing expenses as a percentage of sales to understand profitability.
- E. Highlights trends, strengths, and weaknesses over time.
- F. Can be influenced by comparison periods chosen.
- G. Allows easy comparison of different companies and periods.
- H. Doesn't consider absolute numbers, which can affect comparisons.

## Multiple Choice

1. Horizontal analysis helps to:
  - A. Compare line items within the same period
  - B. Spot trends and assess growth patterns over time
  - C. Evaluate financial ratios
  - D. Assess liquidity and solvency
2. Vertical analysis expresses line items as:
  - A. Absolute numbers
  - B. Historical data over multiple periods
  - C. Percentages of a base figure
  - D. Projections for future trends
3. Which analysis is useful for comparing different components within a company or across industries?
  - A. Horizontal Analysis
  - B. Vertical Analysis
  - C. Ratio Analysis
  - D. Trend Analysis
4. A disadvantage of vertical analysis is:
  - A. It highlights trends over time
  - B. It makes comparisons easier
  - C. It doesn't consider absolute numbers
  - D. It evaluates financial ratios
5. Which analysis shows the relative importance and contribution of each item within the same period?
  - A. Horizontal Analysis
  - B. Vertical Analysis
  - C. Fundamental Analysis
  - D. Technical Analysis

True/False

1. Horizontal analysis compares historical data over multiple periods.
2. Vertical analysis shows the absolute figures for each line item.
3. Horizontal analysis is useful for projecting future trends and performance.
4. Vertical analysis helps understand the contribution of each item to the total within the same period.
5. A key disadvantage of horizontal analysis is that it can be influenced by the comparison periods chosen.

## Answer Key

### Fill in the Blanks

1. periods
2. trends
3. percentages
4. contribution
5. future
6. comparisons
7. weaknesses
8. companies
9. periods
10. absolute

### Matching

1. A - Horizontal Analysis
2. B - Vertical Analysis
3. C - Example of Horizontal Analysis
4. D - Example of Vertical Analysis
5. E - Pros of Horizontal Analysis
6. F - Cons of Horizontal Analysis
7. G - Pros of Vertical Analysis
8. H - Cons of Vertical Analysis

### Multiple Choice

1. B - Spot trends and assess growth patterns over time
2. C - Percentages of a base figure
3. B - Vertical Analysis
4. C - It doesn't consider absolute numbers
5. B - Vertical Analysis

### True/False

1. True
2. False
3. True
4. True
5. True

## Lesson 6.1 - Introduction to Technical Analysis

### Fill in the Blanks

1. Technical analysis studies historical market data, focusing on \_\_\_\_\_ and \_\_\_\_\_.
2. One of the key aspects of technical analysis is the visualization of market shifts through \_\_\_\_\_.
3. A key assumption of technical analysis is that prices are determined by \_\_\_\_\_ and \_\_\_\_\_.
4. In technical analysis, price movements are not random and follow \_\_\_\_\_.
5. A \_\_\_\_\_ chart is the simplest form of chart and shows closing prices over time.
6. A bar chart shows open, high, low, and \_\_\_\_\_ prices for a specific time interval.
7. A \_\_\_\_\_ chart is visually intuitive and uses color to indicate price changes.
8. An uptrend is characterized by successive higher \_\_\_\_\_ and \_\_\_\_\_.
9. A \_\_\_\_\_ sloping trend line connects higher troughs.
10. A horizontal line through peaks at the same price level is known as \_\_\_\_\_.

### Matching

Match the term to its correct definition:

1. Uptrend
  2. Downtrend
  3. Sideways Trend
  4. Support
  5. Resistance
  6. Peak
  7. Trough
  8. Line Chart
  9. Bar Chart
  10. Candlestick Chart
- 
- A. Highest point before a decline
  - B. Lowest point before a rise
  - C. Simplest form, shows closing prices over time
  - D. Connects higher troughs
  - E. Connects lower peaks
  - F. Shows open, high, low, and close prices for a specific time interval
  - G. Color-coded chart showing open, high, low, and close prices
  - H. Successive higher peaks and troughs
  - I. Successive lower peaks and troughs
  - J. No clear direction in price movement

## Multiple Choice

1. Technical analysis focuses on:
  - A. Fundamental data
  - B. Historical market data
  - C. Future projections
  - D. Economic indicators
2. Which of the following is an assumption of technical analysis?
  - A. Prices are random
  - B. Prices do not reflect all information
  - C. Price movements follow trends
  - D. Market behavior does not repeat over time
3. Which chart type shows open, high, low, and close prices with color-coding?
  - A. Line Chart
  - B. Bar Chart
  - C. Candlestick Chart
  - D. Point & Figure Chart
4. In trend analysis, a downward sloping trend line connects:
  - A. Higher troughs
  - B. Higher peaks
  - C. Lower troughs
  - D. Lower peaks
5. The horizontal line through troughs at the same price level is known as:
  - A. Resistance
  - B. Support
  - C. Trend line
  - D. Channel

True/False

1. Technical analysis focuses on emotional aspects of the market.
2. A key aspect of technical analysis is capital risk quantification.
3. In a downtrend, prices show successive higher peaks and troughs.
4. A point & figure chart focuses on price movements without considering time intervals.
5. Reversal points are where the price direction changes.

## Answer Key

### Fill in the Blanks

1. price, volume
2. charts
3. supply, demand
4. trends
5. line
6. close
7. candlestick
8. peaks, troughs
9. upward
10. resistance

### Matching

1. H - Uptrend
2. I - Downtrend
3. J - Sideways Trend
4. D - Support
5. E - Resistance
6. A - Peak
7. B - Trough
8. C - Line Chart
9. F - Bar Chart
10. G - Candlestick Chart

### Multiple Choice

1. B - Historical market data
2. C - Price movements follow trends
3. C - Candlestick Chart
4. C - Lower troughs
5. B - Support

### True/False

1. False
2. True
3. False
4. True
5. True

## Lesson 6.2 - Technical Analysis Chart Patterns

### Fill in the Blanks

1. Chart patterns in technical analysis are defined by being bound by at least \_\_\_\_\_ trend lines.
2. There are two main types of chart patterns: \_\_\_\_\_ and \_\_\_\_\_.
3. Chart patterns are visible in any \_\_\_\_\_ period due to their fractal nature.
4. Completion of a chart pattern typically requires an actual \_\_\_\_\_.
5. To manage trading risk with technical analysis, it's important to use \_\_\_\_\_ methods.

### Matching

Match the term to its correct definition:

1. Double Top
  2. Double Bottom
  3. Triple Top
  4. Triple Bottom
  5. Rectangle
  6. Symmetrical Triangle
  7. Ascending Triangle
  8. Descending Triangle
  9. Wedge
  10. Head and Shoulders
- 
- A. Two successive peaks with a breakout below the middle reversal point
  - B. Two successive troughs with a breakout above the middle peak
  - C. Similar to double patterns but with three peaks
  - D. Similar to double patterns but with three troughs
  - E. Bounded by support and resistance levels
  - F. Converging trend lines with breakouts in either direction
  - G. Flat upper line with rising lower line
  - H. Flat lower line with descending upper line
  - I. Similar direction trend lines with five touchpoints
  - J. Three peaks with the middle being the highest

## Multiple Choice

1. Chart patterns are defined by:
  - A. One trend line
  - B. Two trend lines
  - C. Three trend lines
  - D. Four trend lines
2. The cup and handle pattern consists of:
  - A. A rounded bottom with a handle
  - B. Three successive peaks
  - C. Converging trend lines
  - D. A single peak followed by a trough
3. The descending triangle typically breaks:
  - A. Upward
  - B. Downward
  - C. Sideways
  - D. Randomly
4. Candlestick patterns are primarily used for:
  - A. Identifying support levels
  - B. Identifying trend reversals
  - C. Identifying resistance levels
  - D. Identifying volume levels
5. The doji candlestick pattern indicates:
  - A. Strong trend continuation
  - B. Indecision in the market
  - C. Bullish reversal
  - D. Bearish reversal

True/False

1. Chart patterns are visible only in short-term charting periods.
2. The cup and handle pattern indicates a potential reversal.
3. A triangle pattern with a flat upper line and rising lower line typically breaks downward.
4. The head and shoulders pattern is identified by three troughs.
5. The hanging man candlestick pattern suggests a potential continuation of the trend.

## Answer Key

### Fill in the Blanks

1. two
2. continuation, reversal
3. charting
4. breakout
5. confirmation

### Matching

1. A - Double Top
2. B - Double Bottom
3. C - Triple Top
4. D - Triple Bottom
5. E - Rectangle
6. F - Symmetrical Triangle
7. G - Ascending Triangle
8. H - Descending Triangle
9. I - Wedge
10. J - Head and Shoulders

### Multiple Choice

1. B - Two trend lines
2. A - A rounded bottom with a handle
3. B - Downward
4. B - Identifying trend reversals
5. B - Indecision in the market

### True/False

1. False
2. True
3. False
4. False
5. False

## Lesson 6.3 - Technical Analysis Indicators

### Fill in the Blanks

1. Technical analysis involves using mathematical calculations based on historical price or volume data to predict future \_\_\_\_\_ behavior.
2. The types of technical indicators include trend indicators, momentum indicators, volume indicators, volatility indicators, and \_\_\_\_\_ indicators.
3. The Simple Moving Average (SMA) calculates the average price over a specified \_\_\_\_\_.
4. The Exponential Moving Average (EMA) gives more weight to \_\_\_\_\_ prices.
5. The Moving Average Convergence/Divergence (MACD) consists of the MACD line, Signal line, and \_\_\_\_\_ line.

### Matching

Match the indicator to its correct description:

1. Stochastic Oscillator
  2. Relative Strength Index (RSI)
  3. On Balance Volume (OBV)
  4. Bollinger Bands
  5. Fibonacci Retracements
- 
- A. Range of 0 to 100, identifies overbought and oversold conditions
  - B. Uses cumulative total of volume on up days minus volume on down days
  - C. Consists of SMA, Upper band, Lower band
  - D. Levels include 23.6%, 38.2%, 50%, 61.8%, and 100%
  - E. Overbought if above 80, oversold if below 20.

## Multiple Choice

1. The Average Directional Movement Index (ADX) indicates a strong trend if its value is:
  - A. Less than 20
  - B. Greater than 40
  - C. Between 10 and 60
  - D. Greater than 25
2. The Money Flow Index (MFI) ranges from:
  - A. 0 to 50
  - B. 0 to 100
  - C. 20 to 80
  - D. 30 to 70
3. Bollinger Bands tightening often signals:
  - A. High volatility
  - B. Potential sharp price moves
  - C. Low volatility
  - D. Trend exhaustion
4. Fibonacci retracements are used to identify:
  - A. Overbought conditions
  - B. Potential support or resistance levels
  - C. Trend strength
  - D. Volume changes
5. The purpose of the On Balance Volume (OBV) indicator is to:
  - A. Identify overbought and oversold conditions
  - B. Measure trend strength
  - C. Show potential price reversals
  - D. Track cumulative volume trends

## True/False

1. The Simple Moving Average (SMA) gives more weight to recent prices.
2. The Moving Average Convergence/Divergence (MACD) uses three lines: MACD line, Signal line, and Zero line.
3. Bollinger Bands expand during periods of high volatility.
4. Fibonacci Retracements use levels such as 25%, 50%, 75%, and 100%.
5. The Money Flow Index (MFI) indicates overbought conditions above 90.

## Answer Key

### Fill in the Blanks

1. market
2. volatility
3. period
4. recent
5. Zero

### Matching

1. E - Stochastic Oscillator
2. A - Relative Strength Index (RSI)
3. B - On Balance Volume (OBV)
4. C - Bollinger Bands
5. D - Fibonacci Retracements

### Multiple Choice

1. D - Greater than 25
2. B - 0 to 100
3. B - Potential sharp price moves
4. B - Potential support or resistance levels
5. D - Track cumulative volume trends

### True/False

1. False
2. True
3. True
4. False
5. False



