

Selecting Your Investments Pre-Test (HS)

1. The Dow Jones Industrial Average represents:
 - a. a stock index that represents 30 companies
 - b. the most popular companies on the NYSE
 - c. the 100 largest companies in America

2. An industry is composed of:
 - a. multi-national competitors
 - b. corporations with similar products and services
 - c. industrial businesses working together

3. If a share of a mutual fund cost \$9 a year ago and costs \$15 today, it means the NAV increased how much per share?
 - a. 33%
 - b. 20%
 - c. 66%

4. To be diversified, a portfolio must hold bonds as well as stocks.
 - a. True
 - b. False

5. Large cap, mid caps and small caps are descriptions of:
 - a. mutual funds
 - b. company size and market value
 - c. stock market exchanges

6. The S&P 500, the Nasdaq 100 and the Russell 2000 are examples of:
 - a. a stock report
 - b. stock exchanges
 - c. stock indices

7. Dividing a stock's current price per share by the issuing company's earnings per share results in:
 - a. the profit margin of the company
 - b. the price to earnings ratio
 - c. the stock's current price

8. Lin has \$4,000 in Dell Computer stock, \$2,500 in BioMed stock, \$1,500 in 1stBank stock and \$2,000 in a government bond. A broker tells Lin that her portfolio is not diversified enough. Lin should probably:
 - a. sell some of her stock and buy a mutual fund
 - b. sell the government bond and buy a mutual fund
 - c. sell the Dell Computer stock and buy another bond

9. If you know that the ticker symbol for Microsoft is MSFT, on which exchange is it listed?
 - a. NYSE
 - b. AMEX
 - c. NASDAQ

10. Stocks, bonds and cash are all part of a:
 - a. initial public offering
 - b. industry sector
 - c. financial growth plan



11. A stock is to a mutual fund as:
 - a. a flower is to a garden
 - b. a can of soda is to a six-pack
 - c. the Dallas Cowboys are to the NFL

12. If JCC Telecommunication's EPS is \$4, and its stock is currently valued at \$60 per share, then its PE ratio
 - a. is 15
 - b. is 240
 - c. can't be determined from data provided.

13. Diversification creates:
 - a. a varied portfolio
 - b. dividends
 - c. a short position

14. The S&P 500 Index is made up of _____
 - a. the best performing stocks on the NASDAQ.
 - b. 500 small cap stocks.
 - c. 500 stocks of the largest US companies.

15. RC Drugs, Walt Pharmacy, and KC Drugstore show PE ratios of 15, 4, and 21, respectively. Based solely on this information, which company's stock would be the best buy?
 - a. RC Drugs
 - b. Walt Pharmacy
 - c. KC Drugstore

16. Investors with a low risk tolerance tend to seek stocks that are
 - a. blue chip
 - b. cyclical
 - c. small-cap

17. This week, ABC stock's price increased from \$42 to \$51 per share, PQR stock increased from \$3 to \$6 per share, and XYZ stock increased from \$18 to \$21 per share. Which stock showed the greatest percentage gain in value?
 - a. ABC
 - b. PQR
 - c. XYZ

18. Mutual fund symbols are different from stock ticker symbols in that they have a total of five letters and end in the letter _____.
 - a. Y
 - b. M
 - c. X

19. Holding stocks from several different sectors _____ your portfolio.
 - a. diversifies
 - b. marginalizes
 - c. specializes

20. A mutual fund with a sales charge is called _____.
 - a. a load fund
 - b. a no load fund
 - c. a 12b-1 fund

Selecting Your Investments Pre-Test (HS) Answer Key

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