

Selecting Your Investment Pre Test

1. _____ is a group of companies producing a similar product or service.
 - a. a private agency
 - b. an industry
 - c. a competitor

2. Jenny's investments includes cash, stocks, mutual funds, and bonds. This is an example of
 - a. compounding
 - b. capitalization
 - c. diversification

3. When a stock is _____ it means this stock is no longer traded on the stock exchange.
 - a. delisted
 - b. downgraded
 - c. omitted

4. The DOW is followed by investors to tell them
 - a. the best stocks to buy.
 - b. whether they should diversify their portfolios.
 - c. how well the stock market is doing.

5. Which of the following team portfolios is the most diversified?
 - a. Bob's team with 100 shares of Delta Airlines and 70 shares of Papa John's Pizza.
 - b. Jan's team 100 shares of Sara Lee, 35 shares of Kraft, 150 shares of Kellogg.
 - c. Jamie's team with 10 different mutual funds.

6. Misty is willing to take _____ risk so she can get greater return on her investment.
 - a. more
 - b. less
 - c. more

7. Dan's broker advised him to invest in companies in several different _____ which will diversify his portfolio.
 - a. brands
 - b. industries
 - c. governments

8. When researching stock and mutual fund data, you can find
 - a. more information on the Internet
 - b. more information in the newspaper
 - c. the same information.



9. A mutual fund is an investment company that pools savers' money to invest in a variety of stocks and bonds.
- True
 - False
10. If you have a diversified portfolio, you are at _____ risk of losing your money.
- no
 - less
 - greater
11. "Don't put all your eggs in one basket" is advice to
- sell shares
 - diversify your portfolio
 - invest more money.
12. NAV stands for:
- no advice available
 - number added for value
 - net asset value
13. Owning mutual funds helps to diversify your portfolio.
- True
 - False
14. A _____ is an IOU that a company or government sells when it borrows money.
- stock
 - mutual fund
 - bond
15. The mutual fund manager decides when to buy and sell stock within the mutual fund.
- True
 - False
16. Mutual funds are a good investment for investors with a low risk tolerance.
- True
 - False
17. The S&P 500 index is
- 500 mutual funds
 - 500 stocks of large companies
 - 500 bonds
18. To be diversified, a portfolio must hold stocks from all three stock exchanges.
- True
 - False
19. Investors like to buy mutual funds because
- they have managers who do the research of stocks in the fund
 - they cost less than stocks
 - they never go down in value



20. Investing in mutual funds requires more money than stocks.
- a. True
 - b. False

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