

Before You Invest Pre-Test (HS)

- Investments that have high risk may provide higher returns over time than investments with less risk.
 - True
 - False
- Based on the Rule of 72, if you invested money and earned 6% interest, your money would double in
 - 12 years
 - 72 years
 - 8 years.
- Cody owns 100 shares of PEP stock. PEP pays an annual dividend of \$4.00 per share. Cody will receive his first quarterly payment on March 30. The dividend check will be for:
 - \$400
 - \$100
 - \$4.00
- Which of the following is not a listing requirement for the NYSE?
 - earnings
 - number of shares
 - type of products/services offered
- A company gets money from shareholders when:
 - it makes a profit
 - shares are traded between buyers and sellers
 - its stock is issued
- IPO means:
 - initial public offering
 - investor protection option
 - income producing opportunity
- If you own 100 shares of MartCo stock, valued at \$15.45 per share, and this stock has split 2 for 1, then this means that
 - you now own 200 shares of MartCo stock worth \$1,545.00
 - you now own 100 shares of MartCo stock worth \$772.50
 - you now own 200 shares of MartCo stock worth \$3,090.00

Use the following table to answer questions 8-13.

STOCK TABLE as of 4/20/06											
52 Week					Yld		Vol				Net
Hi	Lo	Stock	Sym	Div	%	P/E	100s	Hi	Lo	Close	Chng
80.25	45.82	CocaCola	KO	2.25	3.1	21.2	44500	77.25	74.32	77.23	+1.45
44.48	28.40	PapaJohn	PZZA			41.3	2160	29.91	28.12	28.80	+0.45
65.60	55.90	Disney pf	DIS	1.20	2.3	33.3	9554	60.40	58.72	59.60	-0.15
62.00	25.95	Microsoft	MSFT			59.8	33900	51.50	46.30	50.00	-0.29

8. Which stock closed nearest its 52 week high?
 - a. CocaCola
 - b. PapaJohn
 - c. Microsoft

9. What was the closing price for PapaJohns stock on 4/19/06?
 - a. \$28.35
 - b. \$29.25
 - c. \$28.80

10. How many shares of Microsoft were traded?
 - a. 33900
 - b. 3,390,000
 - c. 33,900,000

11. Which stock's closing price showed the least change from the previous day?
 - a. CocaCola
 - b. Disney
 - c. Microsoft

12. The symbol pf following Disney means that this stock is
 - a. preferred stock
 - b. privately funded
 - c. performing at a higher than usual profit margin

13. If you bought 120 shares of Disney at its highest price of the year, and sold it at its lowest price of the year, what would be your capital gain/loss?
 - a. \$1,164 capital gain
 - b. \$1,164 capital loss
 - c. \$6,708 capital gain

14. Owning a share of stock means:
 - a. you will profit as a buyer
 - b. you own part of a company
 - c. you share earnings with the company

15. Interest earned on interest occurs with:
 - a. diversification
 - b. compounding
 - c. buying on margin

16. A bond is:
 - a. contract for credit
 - b. money borrowed from a bank
 - c. a type of IOU

17. The statement "risk and reward are related" implies:
 - a. making money in the stock market is risky
 - b. the higher the risk the higher the reward
 - c. there is no reward in taking a risk

18. An important difference between common stock and preferred stock is that the price of the common stock tends to be more stable, changing little over time, than that of preferred stock.
 - a. True
 - b. False

19. You love M&Ms! You bought 210 shares of Mars Company at \$24 to add to your portfolio. While eating away, you earned a dividend of .75 a share. Later you decide you are getting fat and you sell your Mars stock for \$32 a share. How did your candy addiction affect your investment?
- a. you made \$6,877.50 profit
 - b. you lost \$1,522.50
 - c. you made \$1837.50 profit
20. You could find a tombstone ad in the:
- a. Classified section of the newspaper listing company's going out of business
 - b. company's annual report
 - c. Wall Street Journal
21. Mary's mother owns KLA stock. She currently receives a dividend payment every quarter. She is guaranteed to receive a dividend every quarter as long as she owns KLA stock.
- a. True
 - b. False
22. Stock prices fall because:
- a. companies don't make profits everyday
 - b. there are more sellers than buyers
 - c. dividends are paid
23. Common stock ownership gives investors
- a. voting rights in shareholders meetings
 - b. guaranteed dividends
 - c. low risk with a high rate of return.

Before You Invest Pre-Test (HS) Answer Key

1. Investments that have high risk may provide higher returns over time than investments with less risk.
 - a. **True**
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2. Based on the Rule of 72, if you invested money and earned 6% interest, your money would double in
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