

## Fin 534 chapter 1, Quiz 1

- Question 1

You recently sold 100 shares of your new company, XYZ Corporation, to your brother at a family reunion. At the reunion your brother gave you a check for the stock and you gave your brother the stock certificates. Which of the following statements best describes this transaction?

Correct Answer:  This is an example of a direct transfer of capital.

- [↑ Question 2](#)

Which of the following statements is CORRECT?

Correct Answer:  The NYSE operates as an auction market, whereas the Nasdaq is a dealer market.

- [↑ Question 3](#)

Which of the following statements is CORRECT?

Correct Answer:  Capital market instruments include both long-term debt and common stocks.

- [↑ Question 4](#)

Which of the following statements is CORRECT?

Correct Answer:  It is usually easier to transfer ownership in a corporation than it is to transfer ownership in a sole proprietorship.

- [↑ Question 5](#)

Which of the following statements is CORRECT?

Correct Answer:  Stockholders are generally more willing than bondholders to have managers invest in risky projects with high potential returns as opposed to safer projects with lower expected returns.

- [↑ Question 6](#)

Suppose the U.S. Treasury announces plans to issue \$50 billion of new bonds. Assuming the announcement was not expected, what effect, other things held constant, would that have on bond prices and interest rates?  
Answer

Correct Answer:  Prices would decline and interest rates would rise.

- [↑ Question 7](#)

Which of the following statements is CORRECT?

Correct Answer:  Partnerships have difficulty attracting capital in part because of their unlimited liability, the lack of impermanence of the organization, and difficulty in transferring ownership.

- [↑ Question 8](#)

Which of the following statements is CORRECT?

Answer

Correct

Answer: Partnerships have more difficulty attracting large amounts of capital than corporations because of such factors as unlimited liability, the need to reorganize when a partner dies, and the illiquidity (difficulty buying and selling) of partnership interests.

- [↑ Question 9](#)

Which of the following statements is CORRECT?

Answer

Correct

Answer: As they are generally defined, money market transactions involve debt securities with maturities of less than one year.

- [↑ Question 10](#)

Which of the following factors would be most likely to lead to an increase in interest rates in the economy?

Answer

Correct

Answer: Most businesses decide to modernize and expand their manufacturing capacity, and to install new equipment to reduce labor costs.

- [↑ Question 11](#)

Which of the following statements is CORRECT?

Answer