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True / False Questions

1. As finance emerged as a new field, much emphasis was placed on mergers and acquisitions.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 1

2. Inflation is assumed to be a temporary problem that does not affect financial decisions.
FALSE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 1

3. Financial Capital is composed of long-term plant and equipment, as well as other tangible investments.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 1

4. Real Capital is composed of long-term plant and equipment.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 1

5. During the 1930s, financial practice revolved around such topics as the preservation of capital, maintenance of liquidity, reorganization of financially troubled corporations and bankruptcy.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 1

6. In the mid 1950s, finance began to change to a more analytical, decision-oriented approach.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 1

7. Recently, the emphasis of financial management has been on the relationship between risk and return.
TRUE

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 1
Learning Objective: 3

8. The first Nobel Prizes given to finance professors were for their contributions to capital structure theory and portfolio theories of risk and return.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 1

9. The Internet impacts e-commerce by creating a mechanism for improved communications between a business, its customers, and its suppliers.
TRUE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 1

10. The Internet has accounted for an acceleration of productivity for "old economy" firms.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 1

11. The Internet is responsible for many new business models.
TRUE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 1

12. Businesses will increasingly rely on B2B Internet applications to speed up the cash flows through their firms.
TRUE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 1

13. The sole proprietorship represents single-person ownership and offers the advantages of simplicity of decision making and low organizational and operating costs.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2

14. Profits of sole proprietorships are taxed at corporate tax rates.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2

15. There is unlimited liability in a general partnership.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2

16. The most common partnership arrangement carries limited liability to the partners.
FALSE

Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 2

17. A limited partnership limits the profits partners may receive.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 1

18. In terms of revenues and profits, the corporation is by far the most important form of business organization in the United States.
TRUE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 2

19. Dividends paid to corporate stockholders have already been taxed once as corporate income.
TRUE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 2

20. One advantage of the corporate form of organization is that income received by stockholders is not taxable since the corporation already paid taxes on the income distributed.
FALSE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 2

21. A corporation must have more than 75 stockholders to qualify for Subchapter S designation.
FALSE

Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 2

22. Profits of a Subchapter S corporation are taxed at corporate tax rates.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2

23. The formation of a Subchapter S corporation is a way to circumvent the double taxation of a small corporation.
TRUE

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 2

24. Corporate governance issues have become less important to the financial community during the first decade of the new millennium.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4

25. The issues of corporate governance are really agency problems.
TRUE

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

26. Agency Theory examines the relationship between companies and their customers.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4

27. Institutional investors have had increasing influence over corporations with their ability to vote large blocks of stock and replace poor performing boards of directors.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4

28. Agency theory assumes that corporate managers act to increase the wealth of corporate shareholders.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4

29. The Sarbanes Oxley Act reduced agency conflicts by giving corporate managers greater flexibility to select their preferred candidates to the Board of Directors.
FALSE

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

30. A major focus of the Sarbanes Oxley Act is to make sure that publicly traded companies accurately present their assets, liabilities and income in their financial statements.
TRUE

Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 4

31. The Sarbanes Oxley Act is primarily intended to increase public scrutiny of private companies that had previously been exempt from many public disclosure requirements.
FALSE

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

32. Timing is not a particularly important consideration in financial decisions.
FALSE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 4

33. The higher the profit of a firm, the higher the value the firm is assured of receiving in the market.
FALSE

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

34. There are some serious problems with the financial goal of maximizing the earnings of the firm.
TRUE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 4

35. Maximizing the earnings of the firm is the goal of financial management.
FALSE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 4

36. Because socially desirable goals can impede profitability in many instances, managers should not try to operate under the assumption of wealth maximization.
FALSE

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Application
Difficulty: Medium
Learning Objective: 4

37. Insider trading involves the use of information not available to the general public to make profits from trading in a company's stock.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4

38. Social responsibility and profit maximization are synonymous.
FALSE

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Understanding
Difficulty: Easy
Learning Objective: 4

39. Financial markets exist as a vast global network of individuals and financial institutions that may be lenders, borrowers, or owners of public companies worldwide.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

40. Money markets refer to those markets dealing with short-term securities having a life of one year or less.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

41. Money markets refer to markets where excess corporate cash is exchanged for foreign currencies that can earn a higher return than domestic money.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

42. Capital markets refer to those markets dealing with short-term securities having a life of one year or less.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

43. The primary market includes the sale of securities by way of initial public offerings.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

44. High quality initial public offerings are usually sold in a primary market, such as the New York Stock Exchange. However, low-quality stocks must usually be sold in secondary markets, such as NASDAQ.
FALSE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 5

45. Although NASDAQ is a secondary market, some of the firms traded there, such as Microsoft, are large enough to move to the primary market if they so desire.
FALSE

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 5

46. The secondary market characteristically has had stable prices over the past 20 years.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

47. In the United States, stocks sold on either the New York Stock Exchange or NASDAQ are considered sold in the primary market.
FALSE

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 5

48. New issues are sold in the secondary market.
FALSE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

49. Existing securities are traded in the secondary market.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

50. Many companies have cross-listed their stock on multiple international stock exchanges and more than several hundred foreign companies have listed their shares on the New York Stock Exchange.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

51. Higher return always induces stockholders to invest in a company.
FALSE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 3

52. Social responsibility is an expense and thus should be avoided by financial managers because it will lead to loss of income.
FALSE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 3

53. Financial management requires both short-term activities as well as long-term planning such as raising funds.
TRUE

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

54. One of the primary disadvantages of maximizing shareholder value is that it only provides a short-term perspective.
FALSE

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 4

55. If a company has a written code of ethics, they will generally avoid ethical problems.
TRUE

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Evaluation
Difficulty: Medium
Learning Objective: 4

Multiple Choice Questions

56. What is the primary goal of financial management?
A. Increased earnings
B. Maximizing cash flow
C. Maximizing shareholder wealth
D. Minimizing risk of the firm

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4

57. In the past, the study of finance has included
A. mergers and acquisitions.
B. raising capital.
C. bankruptcy.
D. all of these.

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 1

58. Professor Merton Miller received the Nobel prize in economics for his work on
A. dividend policy.
B. investment theory.
C. working capital management.
D. capital structure theory.

Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 1

59. Professors Harry Markowitz and William Sharpe received their Nobel prize in economics for their contributions to the
A. options pricing model.
B. theories of working capital management.
C. theories of risk-return and portfolio theory.
D. theories of international capital budgeting.

Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 1
Learning Objective: 3

60. Proper risk-return management means that
A. the firm should take as few risks as possible.
B. the firm must determine an appropriate trade-off between risk and return.
C. the firm should earn the highest return possible.
D. the firm should value future profits more highly than current profits.

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 3

61. One of the major disadvantages of a sole proprietorship is
A. that there is unlimited liability to the owner.
B. the simplicity of decision making.
C. low organizational costs.
D. low operating costs.

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2

62. One of the major advantages of a sole proprietorship is
A. that the owner has limited liability.
B. that stock in the proprietorship can be easily transferred.
C. that it is exempt from many tax rules that would otherwise apply when employees are hired by the firm.
D. low operating costs.

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2

63. The partnership form of an organization
A. avoids the double taxation of earnings and dividends found in the corporate form of organization.
B. usually provides limited liability to the partners.
C. has unlimited life.
D. simplifies decision making.

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2

64. A corporation is
A. owned by stockholders who enjoy the privilege of limited liability.
B. easily divisible between owners.
C. a separate legal entity with perpetual life.
D. all of these.

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 2

65. With a Subchapter S corporation
A. income is taxed as direct income to stockholders.
B. stockholders have the same liability as members of a partnership.
C. the number of stockholders is unlimited.
D. life of the corporation is limited.

Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 2

66. A Subchapter S corporation
A. is similar to a partnership in that is carries unlimited liability.
B. is a separate legal entity which is treated like a normal corporation.
C. has all the organizational benefits of a corporation and its income is only taxed once.
D. all of these.

Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 2

67. Corporate governance is the
A. relationship and exercise of oversight by the board of directors of the company.
B. relationship between the chief financial officer and institutional investors.
C. operation of a company by the chief executive officer (CEO) and other senior executives on the management team.
D. governance of the company by the board of directors with a focus on social responsibility.

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4

68. Many companies such as Tyco, Enron, and WorldCom that suffered financial distress in the late 1990s and early 2000s,
A. committed fraud.
B. had failed corporate governance oversight.
C. went bankrupt.
D. all of these are true.

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4

69. Agency theory examines the relationship between the
A. shareholders of the firm and the firm's investment banker.
B. owners of the firm and the managers of the firm.
C. board of directors and large institutional investors.
D. shareholders and the firm's transfer agent.

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 4

70. Agency theory would imply that conflicts are more likely to occur between management and shareholders when
A. the company is owned and operated by the same person.
B. management acts in the best interests of maximizing shareholder wealth.
C. the chairman of the board is also the chief executive officer (CEO).
D. the board of directors exerts strong and involved oversight of management.

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

71. Agency theory deals with the issue of
A. when to hire an agent to represent the firm in negotiations.
B. the legal liabilities of a firm if an employee, acting as the firm's agent, injures someone.
C. the limitations placed on an employee acting as the firm's agent to obligate or bind the firm.
D. the conflicts that can arise between the viewpoints and motivations of a firm's owners and managers.

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Understanding
Difficulty: Hard
Learning Objective: 4

72. Agency problems are least likely to arise in which organizational form?
A. sole proprietorship
B. limited partnership
C. corporation
D. subchapter S corporation

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Understanding
Difficulty: Medium
Learning Objective: 2
Learning Objective: 4

73. Institutional investors are important in today's business world because
A. as large investors they have more say in how businesses are managed.
B. they have a fiduciary responsibility to the workers and investors that they represent to see that the firms they own are managed in an ethical way.
C. as a group they can vote large blocks of stock for the election of board members.
D. all of these.

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

74. The increasing percentage ownership of public corporations by institutional investors has
A. had no effect on corporate management.
B. created higher returns for the stock market in general.
C. created more pressure on public companies to manage their firms more efficiently.
D. taken away the voice of the individual investor.

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

75. The Sarbanes-Oxley Act was passed in an effort to
A. protect small business from large corporations dominating the market.
B. ensure that partnerships divide profits among partners in a fair manner.
C. guarantee outside auditors can control corporate accounting practices.
D. control corrupt corporate behavior.

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

76. The Sarbanes-Oxley Act set up the Public Company Accounting Oversight Board with the responsibility for all of the following except
A. auditing standards within companies.
B. controlling the quality of audits.
C. Certifying the competence of financial executives.
D. setting rules and standards for the independence of auditors.

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

77. A financial manager's goal of maximizing current or short-term earnings may not be appropriate because
A. it fails to consider the timing of the benefits.
B. increased earnings may be accompanied by unacceptably higher levels of risk.
C. earnings are subjective; they can be defined in various ways such as accounting or economic earnings.
D. all of these.

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Application
Difficulty: Medium
Learning Objective: 4

78. Maximization of shareholder wealth is a concept in which
A. increased earnings is of primary importance.
B. profits are maximized on a quarterly basis.
C. virtually all earnings are paid as dividends to common stockholders.
D. optimally increasing the long-term value of the firm is emphasized.

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

79. Which of the following is not a true statement about the goal of maximizing shareholder wealth?
A. It takes into account the timing of cash-flows.
B. It is a short-run point of view which takes risk into account.
C. It considers risk as a factor.
D. None of these.

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

80. As mergers, acquisitions, and restructuring have increased in importance, agency theory has become more important in assessing whether
A. a stock repurchase should be undertaken.
B. shareholder goals are truly being achieved by managers in the long run.
C. managers are actually agents or only employees of the firm.
D. managers and owners are actually the same people with the same interests.

AACSB: Analytical Skills
Bloom's: Evaluation
Difficulty: Hard
Learning Objective: 4

81. Insider trading occurs when
A. someone has information not available to the public which they use to profit from trading in stocks.
B. corporate officers buy stock in their company.
C. lawyers, investment bankers, and others buy common stock in companies represented by their firms.
D. any stock transactions occur in violation of the Federal Trade Commissions restrictions on monopolies.

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 4

82. The major difficulty in most insider-trading cases has been
A. that lenient judges have simply released the guilty individuals.
B. that insider trading, even though illegal, actually serves a beneficial economic and financial purpose.
C. that inside trades have not been legally well defined.
D. inside trades actually have a beneficial effect on the wealth of all stockholders.

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Understanding
Difficulty: Hard
Learning Objective: 4

83. Money markets would include which of the following securities?
A. common stock and corporate bonds.
B. treasury bills and commercial paper.
C. certificates of deposit and preferred stock.
D. all of these.

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

84. Capital markets do not include which of the following securities:
A. common stock
B. commercial paper
C. government bonds
D. preferred stock

Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 5

85. When a corporation uses the financial markets to raise new funds, the sale of securities is made in the
A. primary market.
B. secondary market.
C. on-line market.
D. third market.

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

86. Companies that have higher risk than a competitor in the same industry will generally have
A. to pay a higher interest rate than its competitors.
B. a lower relative stock price than its competitors.
C. a higher cost of funds than its competitors.
D. all of these.

AACSB: Analytical Skills
Bloom's: Evaluation
Difficulty: Medium
Learning Objective: 5

87. The financial markets allocate capital to corporations by
A. reflecting expectations of the market participants in the prices of the corporations.
B. requiring higher returns from companies with lower risk than their competitors.
C. rewarding companies with expected high returns with lower relative stock prices.
D. relying on the opinion of investment bankers.

AACSB: Analytical Skills
Bloom's: Evaluation
Difficulty: Medium
Learning Objective: 5

88. Corporate restructuring has been one result of more institutional ownership. Restructuring can cause
A. changes in the assets and liabilities of the firm.
B. the sale of low-profit margin divisions.
C. the removal of current management and/or large reductions in the workforce.
D. all of these.

Bloom's: Knowledge
Difficulty: Easy
Learning Objective: 5

89. A corporate buy-back, or the repurchasing of shares, is
A. an example of balance sheet restructuring.
B. an excellent source of profits when the firm's stock is over-priced.
C. a method of reducing the debt-to-equity ratio.
D. all of these.

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 5

90. A corporate restructuring can result in
A. changes in the capital structure.
B. selling of low-profit margin divisions.
C. reductions in the work force.
D. all of these.

Bloom's: Knowledge
Difficulty: Medium
Learning Objective: 5

91. Which of the following is not an example of restructuring as discussed in the text?
A. repurchase of common stock
B. creating a new organizational chart
C. merging with companies in related industries
D. divesting of an unprofitable division

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 5

92. Future financial managers will need to understand
A. international cash flows.
B. computerized funds transfers.
C. international currency hedging strategies.
D. all of these.

AACSB: Analytical Skills
Bloom's: Evaluation
Difficulty: Easy
Learning Objective: 5

93. The increase in the internationalization of financial markets has led to
A. companies searching the global financial markets for low cost funds.
B. an increase in American Depository Receipts (ADRs) on the New York Stock Exchange.
C. an increase in debt obligations denominated in foreign currency on U.S. corporate balance sheets.
D. all of these.

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 5

94. The internationalization of the financial markets has
A. allowed firms such as McDonalds to raise capital around the world.
B. raised the cost of capital.
C. forced companies to price everything in U.S. dollars.
D. all of these.

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 5

95. The Internet has affected the financial markets by
A. creating more competition between markets.
B. pushing the cost of trading down.
C. forcing brokerage companies to consolidate.
D. all of these.

Bloom's: Understanding
Difficulty: Easy
Learning Objective: 5

96. Increased productivity due to technology has
A. increased corporations' reliance on debt for capital expansion needs.
B. created larger asset values on the firm's historical balance sheet.
C. made it cheaper (in terms of interest costs) for firms to borrow money.
D. helped to keep corporate costs in check.

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 5

97. Companies that perform well
A. can sell their stock for a lower price
B. can minimize dilution when issuing new shares
C. can issue debt at a lower interest rate
D. two of the above

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

98. The entity that is responsible for establishing the allocation and cost of capital is
A. the corporation
B. the economy
C. investors
D. customers

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

99. Benefits of social responsibility often include
A. Better reputation
B. Higher short-term earnings
C. Lower expenses
D. Two of the above

AACSB: Ethical Understanding & Reasoning Abilities
Bloom's: Understanding
Difficulty: Medium
Learning Objective: 4

100. Regarding risk levels, financial managers should
A. pursue higher risk projects because they increase value
B. avoid higher risk projects because they destroy value
C. focus primarily on market fluctuations
D. evaluate investor's desire for risk

AACSB: Analytical Skills
Bloom's: Analysis
Difficulty: Medium
Learning Objective: 3

Essay Questions

101. Match the following with the questions below:
a. agency theory
b. insider trading
c. sole proprietorship
d. partnership
e. subchapter S corporation
f. articles of partnership
g. capital structure theory
h. corporation

1. _____ The ability to make profits on financial securities because of having Knowledge not available to the public.
2. _____ An agreement of partners specifying the ownership interest of a company.
3. _____ A form of organization that represents single person ownership and offers the advantages of simplicity of decision making and low organizational and operating costs.
4. _____ Separate legal entity owned by shareholders who only have limited liability.
5. _____ The study of the relative importance of debt and equity.
6. _____ Examines the relationship between the owners of the firm and the managers of the firm.
7. _____ A form of ownership, in which profit is taxed as direct income to the stockholders and thus is only taxed once.
8. _____ A form of ownership that carries unlimited liability to the owners and where the profits are taxed at individual tax rates of the owners.

(1.) b (2.) f (3.) c (4.) h (5.) g (6.) a (7.) e (8.) d

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 1
Learning Objective: 2
Learning Objective: 4

102. Match the following with the questions below:
a. restructuring
b. capital market
c. money market
d. real capital
e. inflation
f. primary market
g. secondary market
h. disinflation
i. financial capital

1. ______ This form of capital is found on the balance sheet under long-term liabilities and equity.
2. ______ The purchasing power of the dollar shrinks over time.
3. ______ A market where the securities being traded are new public offerings.
4. ______ Securities with a maturity of less than 1 year.
5. ______ Redeploying the asset and liability structure of the firm.
6. ______ A leveling off or slowing down of price increases.
7. ______ Market composed of common stock, preferred stock, commercial and government bonds and other long-term securities.
8. ______ This market trades previously issued securities.
9. ______ The high inflation rates of the 1980s caused this form of capital to hold its value better than other forms of capital during this time period.

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

Bloom's: Understanding
Difficulty: Medium
Learning Objective: 1
Learning Objective: 5