

Chapter 1 test**True/False**

Indicate whether the statement is true or false.

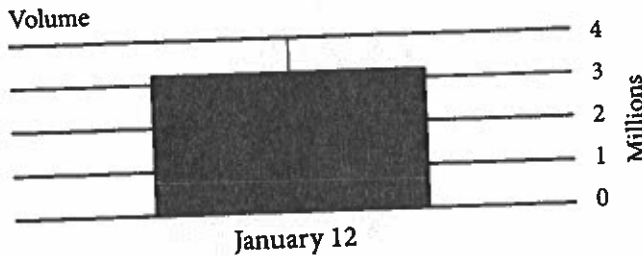
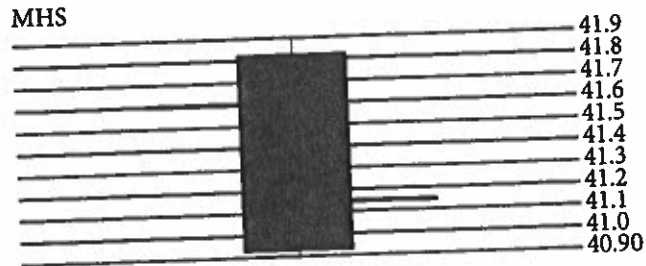
- _____ 1. In a reverse stock split, the number of outstanding shares is reduced while the market price per share stays the same.
- _____ 2. Comanche Ltd closed at \$15.89, a \$0.43 decrease from the closing price the day before. This is a 2.6% decrease.
- _____ 3. A crossover occurs when one moving average crosses over another. Investors should consider buying if a fast-moving average crosses over a slow-moving average and should consider selling if a fast-moving average crosses below a slow-moving average.
- _____ 4. When there is a fractional part of a share, the company will buy the fractional share at current prices, because fractional shares are not traded.
- _____ 5. Vito owned 120 shares of a stock before the corporation instituted a 5-for-3 split. Before the split, the stock was selling at \$16 a share. Vito now has 200 shares of the stock that is worth about \$26.67 each.
- _____ 6. Xavier bought 4,000 shares of XYZ stock at \$17.37 per share. This price was down \$1.12 from the previous day's closing price. The ticker for this transaction will appear as XYZ 4K@ 17.37 ▲ 1.12.
- _____ 7. One share of Kimco's common stock pays an annual dividend of \$1.43. Today, Kimco closed at \$19.09 with a net change of +0.72. The stock yield at yesterday's closing price is about 8%.
- _____ 8. Rebecca correctly calculated the 3-day SMA of these stock prices \$11, \$14, \$13, \$11, and \$12 as \$12.67, \$12.67, and \$12.00.
- _____ 9. Leon purchased 8,500 shares of stock at a price of \$11.45 a share. He sold the stock six years later at a price of \$19.78 per share. His capital gain is about 58%.
- _____ 10. Roxanne placed a limit order. This means she specified the price that she would pay for a stock. If the stock does not fall to that price, then the stocks are not purchased.

Name: _____

Multiple Choice

Identify the choice that best completes the statement or answers the question.

11. The stock bar chart below shows price and volume information for Medco Health Solutions (MHS) on January 12. What was the opening price?



- a. 40.92
b. 41.60
c. 41.14
d. 40.92

12. A candlestick chart is a type of stockbar chart. The real body is displayed in different colors to indicate the action for that day. What does it mean if the real body is red?
- a. The stock closed higher than the opening price.
b. The stock closed at the opening price.
c. The stock opened higher than the closing price.
d. The stock closed lower than the opening price.
13. On July 3, the ABC corporation closed at \$43.67. This was a \$0.47 increase from the close the day before. What percent change is this?
- a. +98.91%
b. -1.09%
c. +1.09%
d. -1.07%
14. Eleanor purchased \$2,568 worth of stock and paid her broker a 0.5% fee. She sold the stock when the stock price increased to \$3,298, using an online broker that charged \$7 per trade. What are her net proceeds?
- a. \$710.16
b. \$735.84
c. \$755.68
d. \$851.40
15. Marcy owns common stock in Rex's Pet Planet. The annual dividend is \$2.05. The current price is \$5.37. What is the yield of the stock?
- a. 31.7%
b. 33.2%
c. 38.2%
d. 53.7%

Name: _____

ID: A

16. Sunni bought a \$500 corporate bond. The bond pays 4.8% interest per year. If Sunni holds the bond for 15 years, how much will Sunni receive in interest?
- a. \$480
 - b. \$360
 - c. \$140
 - d. \$24
17. A stock that was selling for \$48 a share split 2-for-1. Before the split, the company had 3.4 million shares of stock outstanding. What is the post-split number of shares outstanding?
- a. 10.2 million
 - b. 6.8 million
 - c. 2.4 million
 - d. 1.7 million
18. Which is NOT personally liable for any losses or damages?
- a. owner of a sole proprietorship
 - b. shareholders in a public corporation
 - c. partners in a partnership
 - d. shareholders in a corporation
19. Steve and Elizabeth decide to become partners in a children's cooking school. They need \$80,000 for the franchise. They invest in a 3:4 ratio, respectively. About what percent of the business is owned by Elizabeth?
- a. 34%
 - b. 43%
 - c. 57%
 - d. 80%
20. What is the 4-day SMA for the following closing prices: \$56, \$61, \$50, \$57, \$60, \$58, and \$57.
- a. \$56, \$61, \$50, \$57
 - b. \$56, \$57, \$56.25
 - c. \$56, \$57, \$56.25, \$58
 - d. \$58, \$56, \$56.25, \$57

