

## Before You Invest Pre-Test (MS)

1. P/E stands for the \_\_\_\_\_ divided by the company's earnings per share.
  - a) profit of the company
  - b) price of the stock
  - c) production capability of the company
2. You can look in today's newspaper to see today's closing price of a stock.
  - a) true
  - b) false
3. The symbol "pf" following a stock's name in the newspaper indicates the stock is
  - a) preferred stock
  - b) private fund
  - c) most profitable
4. Joey, a conservative investor with a low risk tolerance, is most likely to invest in
  - a) small cap companies
  - b) mid cap companies
  - c) large cap companies
5. A company can choose its own ticker symbol when it first lists on a stock exchange.
  - a) true
  - b) false
6. You can estimate how long it will take for your investment to double in value by using the
  - a) amortization schedule
  - b) Rule of 72
  - c) ballpark estimate
7. Newspaper stock symbols and ticker stock symbols are the same.
  - a) True
  - b) False

Use this chart for questions 8-12.

52 week									
High	low	stock	div	P/E	Vol 100s	Hi	Low	Close	Change
84.00	31.50	Intel	2.40	24	194500	81.64	79.60	81.50	1.50
36.50	16.40	Pzza	.45	38	45000	26.30	26.00	26.15	.25
192.20	128.60	Ford	—	18	230000	134.70	130.10	130.90	3.65

8. How many shares of Pzza stock were traded? \_\_\_\_\_
  - a) 4,500,000
  - b) 45,000
  - c) 450
9. Which stock closed closest to its low of the year? \_\_\_\_\_
  - a) Pzza
  - b) Ford
  - c) Intel

10. If you bought 100 shares of Intel at its high price for the year, and sold it at its closing price, what would be your capital gain or loss? \_\_\_\_\_
- a) \$14.00 loss
  - b) \$250 loss
  - c) \$8,150 gain
11. Which stock pays the highest dividend? \_\_\_\_\_
- a) Intel
  - b) Pizza
  - c) Ford
12. Which stock's closing price showed the least change in price from the previous day?
- a) Intel
  - b) Pizza
  - c) Ford
13. Investing means
- a) putting your money to work earning more money.
  - b) saving your money.
  - c) keeping your money safe.
14. When Dee buys shares of ABC stock, she becomes
- a) an entrepreneur.
  - b) a partial owner of the company.
  - c) a lender.
15. Based on the Rule of 72, if you invested money and earned 6% interest, your money would double in
- a) 72 years
  - b) 6 years
  - c) 12 years.
16. Shareholders in a for-profit corporation are liable for the debts of the corporation.
- a) True
  - b) False
17. Compounding is
- a) buying the same stock in the same amount over time.
  - b) choosing stocks with a dividend from each of the three exchanges.
  - c) earning interest on interest.
18. Owners of \_\_\_\_\_ can vote for the board of directors and on issues that come up at annual meetings.
- a) preferred stock
  - b) common stock
  - c) dividends
19. The three major US stock exchanges are
- a) New York Stock Exchange, American Stock Exchange, NASDAQ
  - b) New York Stock Exchange, Washington Stock Exchange, NASDAQ
  - c) United Nations Exchange, American Stock Exchange, and Washington Stock Exchange
20. A company, like the Hershey company, may have products called
- a) revenue
  - b) brands
  - c) shares

21. Hayden's team purchased 100 shares of Tiffany and Co. stock for \$52.50/share. Two weeks later, the team decided to sell their 100 shares of Tiffany and Co. stock at the current market price of \$55.25/share. Excluding commissions, how much money was gained or lost on the sale?
- \$675 gain
  - \$275 gain
  - \$275 loss
22. Dividends are paid to shareholders from
- contributions from company employees
  - part of the company's earnings
  - company's production of goods and services.
23. A company's earnings are the same as its revenue.
- True
  - False
24. Buying and selling stocks on the New York Stock Exchange can best be compared to
- a grocery store
  - a flea market
  - an auction
25. When the Abar company decides to go public, it can choose to be listed on any of the 3 major stock exchanges.
- True
  - False
26. The Board of Directors of ABC Company voted to share some of the profits with its shareholders. They have decided to issue
- dividends
  - bonds
  - bonuses
27. Why are investments riskier than savings?
- there are more unknowns
  - companies don't care about you
  - it is not your money
28. When you invest in a bond, you are
- owning a government business
  - loaning money to a company
  - borrowing money for stock purchases
29. For a company, profit is the remaining income after
- entrepreneur is paid
  - loan is paid off
  - expenses are covered
30. Preferred stock is stock owned by family members of a private corporation.
- True
  - False
31. When a public company makes a profit, it is required to make dividend payments to shareholders.
- True
  - False

## Before You Invest Pre-Test (MS) Answer Key

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