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QUESTION: 194
All of the following would create Deflation in the U.S. economy EXCEPT:

A. Increasing taxes
B. A decline in the general level of prices
C. Reduction in the supply of money
D. More government spending

Answer: D

Explanation:
Deflation is a general decline in the prices of goods and services. Deflation can occur from an increase in taxes, less government spending, and a reduction in the money supply. It is usually caused by a slowdown in demand coupled with an adequate supply

QUESTION: 195
The security that offers the best protection against purchasing power risk or inflation is which of the following?

A. Treasury bond
B. Fixed annuity
C. Common stock
D. Certificate of deposit

Answer: C

Explanation:
Debt securities and investments that promise fixed rates of returns are the most susceptible to purchasing power risk or inflation. Fixed annuities, CD's, and treasury bonds all fall under these categories

QUESTION: 196
An investor that holds a corporate bond until maturity will be exposed to all of the following risks EXCEPT:

A. Call risk
B. Inflationary Risk
C. Credit risk
D. Interest rate risk

Answer: D

Explanation:
At maturity date, it makes neither difference what the bonds coupon is nor its relationship to current interest rates. The bond always pays off at par. Inflation, credit risk, and call risk are all risks associated with buying corporate bonds

QUESTION: 197
Which of the following can be found on the corporate Balance Sheet?
I. Working Capital,
II. Accounts Payable,
III. Inventory,
IV. Current Ratio

A. II, III, and IV
B. I, II, III, and IV
C. II and III only
D. I and II only

Answer: B

Explanation:
The balance Sheet is also known as the statement of financial condition it is used as a snapshot picture of a company at a specific date in time. The balance Sheet compares corporate assets to liabilities, the total assets minus total liabilities equals net worth

QUESTION: 198
Which of the following statements concerning Inflation are Correct?
I. A higher rate of inflation usually leads to increasing interest rates,
II. A higher rate of inflation usually leads to lower interest rates,
III. Inflation deteriorates purchasing power,
IV. Inflation has no relationship to the rise in prices of good and services

A. I and III only
B. I, III, and IV
C. II, III, and IV
D. II and III only

Answer: A

Explanation:
Inflation is the economic condition that is characterized by continuously rising prices for goods and services. Inflation deteriorates purchasing power and typically has a negative effect on interest-rate sensitive securities, a higher rate of inflation usually leads to increased interest rates

QUESTION: 199
If the value of the US dollar declines relative to foreign currencies, which of the following would be true?
I. US exports would increase,
II. Foreign imports would decrease,
III. Foreign products become cheaper in the US,
IV. US exports would decrease

A. II, III, and IV
B. II and IV only
C. I and II only
D. III and IV only

Answer: C

Explanation:
When the value of the US dollar is high, importers benefit and exporters suffer. When the US dollar has weakened, importers suffer and exporters benefit. As the US dollar declines relative to foreign currencies, foreign products become more expensive to purchase in the US. US exports then become more cheaper and competitive for foreigners, thus resulting in an increase in US exports and a decrease of foreign imports into the United States

QUESTION: 200

The risk found in trading “thinly held issues” or those that lack marketability is best known as:

A. Liquidity Risk
B. Exchange Rate Risk
C. Default Risk
D. Business Risk

Answer: A

Explanation:
Liquidity is the ability to convert assets into cash or cash equivalents without significant loss