Self-paced Course - Test Your Knowledge
Week 3 Reading Module Quiz

1. Which of the following are true?
   a. An index fund is a fund that monitors a particular index.
   b. A bond’s price has an inverse relationship with interest rates.
   c. Laddering is a risk management technique in which an investor buys bonds
      that will mature at different times.
   d. Junk Bonds tend to offer higher interest rates than other bonds.

2. Which of the following are all Bond rating systems?
   a. Fish, Moody’s and Standard and Poor’s
   b. Fitch, Moonies, and Standard and Poor’s
   c. Fitch, Moody’s and Standard and Poor’s
   d. Fitch, Moody’s and Standard and Rich’s

3. Which of the following are types of bond markets?
   a. Municipal
   b. Government
   c. Corporate
   d. Mortgage-backed or asset-backed securities
   e. International bond
   f. Penny stocks

4. Which of the following definitions are correct?
   a. **Coupon yield** is the interest rate stated on the bond.
   
   b. **Current yield** is obtained by dividing the interest rate by the anticipated value of
      the bond if held to maturity.
   
   c. **Yield to maturity** is the rate of return anticipated on a bond if it is held until the
      maturity date. It measures interest and the appreciation to face value at the time
      of maturity (when bought at a discount) or the depreciation (when bought at a
      premium).

5. Mutual funds are registered with the Securities and Exchange Commission and
   subject to their rules and regulations.

   True                     False
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Week 3 Reading Module Quiz Answer Key

1. All are true.
2. The correct answer is c, Fitch, Moody’s and Standard and Poor’s.
3. The correct answer is a-e. They all are types of bonds, except for f, penny stocks.
4. Answers a and c are correct. Current yield is the current interest divided by the current value of the bond.
5. True. One reason why Mutual Funds are a relatively safe investment.

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