Package Title: Clicker

Course Title: Booth, Cleary, Introduction to Corporate Finance, Third Canadian Edition

Chapter Number: 01

Shuffle: No

Questions type: Multiple Choice

1. Finance is essentially the management of an entity’s:

a) income statement.

b) balance sheet.

c) cash flow statement.

d) cash budget.

e) net profit.

Answer: b

2. Which of the following is not a major area of finance at the national level?

a) Personal finance

b) Government finance

c) International finance

d) Corporate finance

e) None of the above

Answer: e

3. The largest item on the national balance sheet of Canadian households in 2011 was

a) Houses

b) Land

c) Debt

d) Savings and deposits

e) Pensions and insurance

Answer: a

4. Institutions that transform the securities they issue and invest in are called \_\_\_\_\_\_\_.

a) Underwriters

b) Investment dealers

c) Financial intermediaries

d) Market intermediaries

e) Corporations

Answer: c

5. The financial system brings lenders and borrowers together in a process called \_\_\_\_\_\_\_.

a) brokering

b) acquisition

c) loan remediation

d) intermediation

e) underwriting

Answer: d

6. The transactions carried out by market intermediaries are often called \_\_\_\_\_\_\_\_.

a) agency transactions

b) direct transactions

c) principal transactions

d) underwriting transactions

e) indirect transactions

Answer: a

7. The three most important types of financial intermediaries in Canada are:

a) pension funds, mutual funds, and hedge funds

b) chartered banks, mutual funds, and pension funds

c) mutual funds, insurance companies and chartered banks

d) pension funds, chartered banks and insurance companies

e) income funds, chartered banks and mutual funds

Answer: d

8. In Canada, the largest borrower is:

a) Canadian businesses

b) Government of Canada

c) Province of Ontario

d) Crown Corporations

e) International Conglomerates

Answer: a

9. The market in which new securities are issued by borrowers in return for cash from investors is called the \_\_\_\_\_\_\_\_\_\_.

a) debt market

b) equity market

c) primary market

d) secondary market

e) money market

Answer: c

10. Money market instruments trade in the \_\_\_\_\_\_\_\_\_\_.

a) primary market

b) over-the-counter markets

c) auction markets

d) stock markets

e) futures market

Answer: b

11. In Canada, financial derivatives are traded on the \_\_\_\_\_\_\_\_.

a) Toronto Stock Exchange

b) Vancouver Stock Exchange

c) TSX Venture Exchange

d) Alberta Stock Exchange

e) Montreal Stock Exchange

Answer: e

12. In terms of market value, the Toronto Stock Exchange (TSX) was the \_\_\_\_\_\_\_\_ largest in the world in December 2008.

a) third

b) seventh

c) ninth

d) twelfth

e) fifteenth

Answer: b

13. Any loan of more than 75 to 80 percent of the value of the underlying collateral made to a weak borrower is called a \_\_\_\_\_\_\_\_\_\_\_\_.

a) Ninja loan

b) sub-prime loan

c) collateralized loan

d) risky loan

e) junk bond

Answer: b

14. When we multiply the share price by the number of shares outstanding, we get \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) market price

b) total assets

c) total owners’ equity

d) market capitalization

e) None of the above

Answer: d

15. Why were Canadian banks less affected by the credit crunch crisis than banks in other countries?

a) Canadian banks had better financial backings.

b) Canadian banks did not invest as heavily in U.S. securities.

c) Canadian banks performed due diligence when arranging mortgage loans.

d) Canadian banks were inherently more stable.

e) Canadian banks were isolated from the credit crunch by the Canadian Mortgage and Housing Corporation

Answer: c