

Section 1: Guided Reading and Review

Saving and Investing



A. As You Read

As you read Section 1, supply the missing information about the functions of the financial intermediaries in the chart below.

Financial Intermediaries	Functions
1. Banks, Savings and Loan Associations, Credit Unions	1.
2. Finance Companies	2.
3. Mutual Funds	3.
4. Life Insurance Companies	4.
5. Pension Funds	5.

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B. Reviewing Key Terms

Complete each sentence by writing the correct key term in the blank provided.

6. Before putting money into mutual funds, a potential investor can review the fund's performance in its _____.
7. The use of assets to earn income or profit constitutes a(n) _____.
8. To transfer money between savers and borrowers, allowing investment to take place, an economy needs a(n) _____.
9. Securities is another name for _____.
10. The lower the risk in an investment, the lower its _____.
11. The collection of all one's financial assets makes up one's _____.

Section 2: Guided Reading and Review

Bonds and Other Financial Assets



A. As You Read

As you read Section 2, answer the questions on the lines provided.

1. How does an investor earn money by buying bonds at a discount? _____

2. What are Standard & Poor's and Moody's ratings based on? _____

3. What advantages do bonds offer to firms that issue them? _____

4. What disadvantage do bonds present for the issuer? _____

5. (a) What types of government bonds are available to investors? _____

 (b) Which type offers the greatest tax advantage? _____

6. What three organizations help ensure value and prevent dishonesty in the bond market?

7. (a) What is the investment advantage of money market mutual funds over CDs and savings accounts? _____
 (b) What is the disadvantage? _____
8. (a) In financial asset markets, how do capital markets differ from money markets? _____

 (b) How do primary markets differ from secondary markets? _____

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B. Reviewing Key Terms

Define the following terms.

9. maturity _____
10. corporate bond _____
11. junk bond _____
12. coupon rate _____

Section 3: Guided Reading and Review

The Stock Market



A. As You Read

As you read Section 3, supply the missing information to complete each sentence in the spaces provided.

1. Income stocks pay _____.
2. Growth stocks can be profitable because they _____.
3. Investors experience capital gains when they _____.
4. Investors suffer capital losses when they _____.
5. Stocks are riskier than bonds because _____.
6. Blue chip stocks are traded on the _____.
7. A put option is the option to _____.
8. During a bear market, investors sell because _____.

B. Reviewing Key Terms

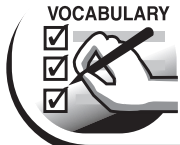
Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided. You will not use all the terms.

Column I

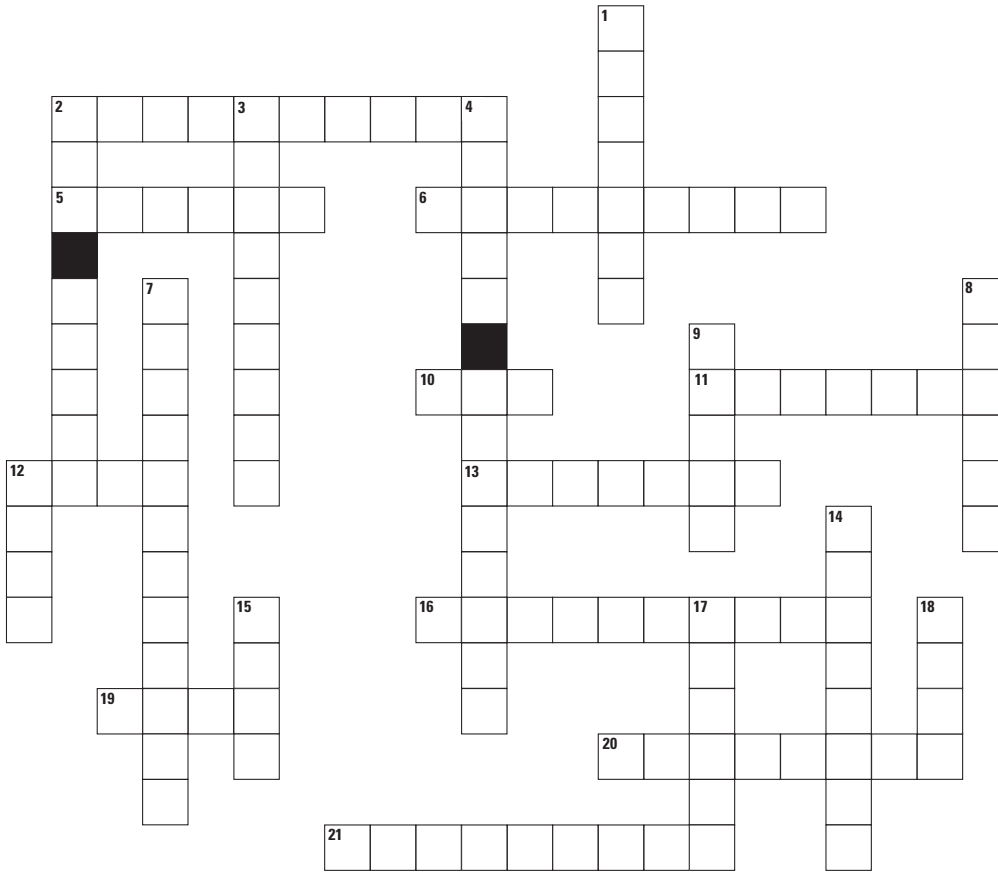
- ___ 9. steady, extended rise in stock market
- ___ 10. electronic marketplace for stock not listed on an organized exchange
- ___ 11. claims of ownership in a corporation
- ___ 12. making high-risk investments with borrowed money in the hope of getting a big return
- ___ 13. market for buying and selling stock
- ___ 14. person who links buyers and sellers of stocks
- ___ 15. 1929 collapse of the stock market
- ___ 16. business specializing in trading stocks
- ___ 17. contracts to trade stock at a specific price and time in the future

Column II

- a. stockbroker
- b. options
- c. bear market
- d. Great Crash
- e. brokerage firm
- f. bull market
- g. equities
- h. OTC market
- i. speculation
- j. stock exchange



Vocabulary Practice



Use the following clues to complete the crossword puzzle.

Across

- 2. An investment report to potential investors is a(n) ____.
- 5. Money investors receive beyond their original investment is the ____.
- 6. A(n) ____ bond is issued by a corporation to raise money for business expansion.
- 10. The short name for the Securities and Exchange Commission is the ____.
- 11. A(n) ____ bond is issued by the U.S. government.
- 12. A steady drop in the stock market over time is called a(n) ____ market.
- 13. An electronic market that trades stock not listed on an organized exchange is termed over-the-____.
- 16. Using assets to earn income or profit constitutes a(n) ____.

- 19. Selling stock at a price higher than the original purchase price brings the seller a capital ____.
- 20. Claims of ownership in a corporation are known as ____.
- 21. ____ bonds are issued by local governments for public improvements.

Down

- 1. Contracts that allow investors to buy or sell a stock at a particular price within a specified time are ____.
- 2. The purchase price of a bond, which is to be repaid at maturity, is the bond's ____.
- 3. A collection of financial assets makes up an investor's ____.
- 4. A market for buying and selling stock is known as a(n) ____.

- 7. An institution that helps channel funds from savers to borrowers is a financial ____.
- 8. A financial ____ allows the transfer of money between savers and borrowers.
- 9. A claim on the property or income of a borrower is a financial ____.
- 12. A steady rise in the stock market over time is known as a(n) ____ market.
- 14. Payment is due to a bondholder at the time of the bond's ____.
- 15. ____ bonds are lower-rated, potentially higher-paying bonds.
- 17. A(n) ____ fund pools and invests savings from many individuals.
- 18. Selling for a price lower than the purchase price leaves the investor with a capital ____.