1) Which one of the following types of securities has the lowest priority in a bankruptcy					1) _	
proceeding? A) Common stock C) Preferred stock			B) Senior debt D) Straight bond			
2) Newly issued securities are sold to investors in which one of the following markets?					2)	
A) Secondary	B) Proxy		Primary	D) Stated value	²) _	
3) An agent who buys and sells securities from inventory is called a:					3)	
A) broker.	B) floor b		dealer.	D) floor trader.	<i>'</i> _	
4) What is the market called that facilitates the sale of shares between individual investors?					4) _	
A) Inside	B) Second	lary C)	Primary	D) Initial		
5) Dividends are:					5)	
A) payable at theB) treated as a taC) only partiallyD) paid out of af	x-deductible exp taxable to high-	ense of the issu	ing firm.			
6) IHOP pays a constant annual dividend of \$1.50 per share. How much are you willing to pay for one share if you require a rate of return of 10 percent?					6) _	
A) \$16.00	B) \$15.00		\$11.00	D) \$14.72		
7) Sweet Treats pays a constant annual dividend of \$2.38 a share and currently sells for					7) _	
\$52.60 a share. What is the rate of return? A) 4.52 percent B) 5.39 percent			5.91 percent	D) 4.83 percent		
8) The common stock of GT Enterprises is selling for \$63.09 a share. The company pays a constant annual dividend and has a total return of 11.64 percent. What is the amount of					8) _	
the dividend?			•			
A) \$7.70	B) \$4.04	C) \$7.34	D) \$6.81	E) \$5.02		
9) Braxton's Cleaning Company stock is selling for \$32.60 a share based on a rate of return of 13.8 percent. What is the amount of the next annual dividend if the dividends					9) _	
are increasing by 2						
A) \$2.86	B) \$2.78	C) \$3.72	D) \$2.71	E) \$3.84		

Answer Key Testname: PRACTICE2CHAPTER7

- 1) A 2) C 3) C

- 4) B
- 5) D
- 6) B
- 7) A 8) C
- 9) C