Understanding Stock Markets

Finance · Answer Key · 12 Questions

1. What is a share of stock?

A) A type of government tax
B) A unit of ownership in a company
C) A loan given to a bank
D) A physical item sold in a store

2. What is the name of the place where stocks are bought and sold?

A) A supermarket
B) A stock exchange
C) A library
D) A post office

3. What does a 'dividend' represent?

A) A fee paid to use an exchange
B) A portion of company profits paid to shareholders
C) A type of government bond
D) A penalty for selling a stock

4. What is the primary purpose of an Initial Public Offering (IPO)?

A) To shut down a company
B) To allow a private company to sell shares to the public
C) To change the company name
D) To buy a competitor

5. Which famous index tracks the performance of 500 large companies listed on stock exchanges in the United States?

A) S&P 500
B) The Tokyo Index
C) The Gold Standard
D) The NASDAQ 100

6. What is a 'ticker symbol'?

A) A device used to count money
B) A short abbreviation used to identify a stock
C) A receipt for a purchase
D) A type of stock market news

7. Which company is often credited with having the world's first formal stock exchange in the early 1600s?

A) The Dutch East India Company
B) The Bank of England
C) The Roman Empire
D) The United States Treasury

8. What does it mean if a stock price is 'volatile'?

A) It stays the same for a long time
B) It is guaranteed to go up
C) It changes in price very frequently
D) It cannot be sold easily

9. What is a 'bear market' commonly associated with?

A) Rising stock prices
B) A period of declining stock prices
C) An increase in company employees
D) The opening of a new stock exchange

10. What is a 'bull market' commonly associated with?

A) A period of rising stock prices
B) A period of falling stock prices
C) The government closing the market
D) Companies losing money

11. Which document provides detailed financial information about a company to potential investors?

A) A comic book
B) A prospectus
C) A weather report
D) A grocery list

12. Who is the person or firm that buys and sells stocks on behalf of an investor?

A) A stockbroker
B) A landlord
C) A cashier
D) A librarian