

Introduction to Financial Markets

Economics · Answer Key · 20 Questions

1. What does a 'share' of stock represent in a company?

- A) A physical piece of the company office
- B) A portion of ownership in the company**
- C) A loan given to the company by a bank
- D) A discount card for products

2. Which term describes the place where shares of public companies are bought and sold?

- A) A bank vault
- B) A commodities warehouse
- C) A stock exchange**
- D) A central mint

3. What is the primary reason companies issue shares of stock?

- A) To pay for employee lunch breaks
- B) To raise money for business growth**
- C) To avoid paying taxes
- D) To give away ownership to the government

4. When a company makes a profit, it may choose to distribute a portion of that money to its shareholders. What is this payment called?

- A) A dividend**
- B) A tax rebate
- C) A bank interest payment
- D) A salary bonus

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

- A) A personal diary
- B) A marketing pamphlet
- C) A prospectus**
- D) A newspaper editorial

6. What is the ticker symbol used for on a stock exchange?

- A) To measure the weight of the company
- B) To identify a company with a unique abbreviation**
- C) To track the temperature of the building
- D) To calculate the company's annual tax

7. In the context of the stock market, what does the term 'IPO' stand for?

- A) Individual Purchase Order
- B) Initial Public Offering**
- C) Internal Profit Organization
- D) International Price Official

8. What is a 'portfolio' in terms of investing?

- A) A bag for carrying cash
- B) A collection of financial investments**
- C) A list of company employees
- D) A schedule of bank meetings

9. If an investor buys a stock, they are often referred to as a what?

- A) A debtor
- B) A shareholder**
- C) A lender
- D) A regulator

10. Which entity is responsible for regulating financial markets to ensure fairness in Australia?

- A) The Australian Securities and Investments Commission (ASIC)**
- B) The Royal Australian Navy
- C) The Australian Bureau of Statistics
- D) The Department of Education

11. What is the name of the main stock exchange located in Australia?

- A) Sydney Currency Exchange
- B) Australian Securities Exchange (ASX)**
- C) Melbourne Gold Market
- D) National Financial Hub

12. What happens to the price of a stock if more people want to buy it than sell it?

- A) It stays the same
- B) It increases**
- C) It decreases
- D) It is removed from the exchange

13. What is the 'bid' price in stock trading?

- A) The highest price a buyer is willing to pay**
- B) The lowest price a seller will accept
- C) The price at which the company was founded
- D) The average price over ten years

14. What does it mean if a company is 'delisted' from a stock exchange?

- A) The company has doubled its profit
- B) The company is no longer traded on that exchange**
- C) The company has moved to a new office building
- D) The company has hired a new manager

15. What is the 'ask' price in stock trading?

- A) The price a buyer offers
- B) The lowest price a seller is willing to accept**
- C) The tax applied to the transaction
- D) The cost of a stock certificate

16. What is a 'market capitalization'?

- A) The total value of a company's shares**
- B) The number of employees in a company
- C) The size of the company's factory
- D) The total debt of the company

17. What does 'volatility' refer to in the stock market?

- A) The speed of a company's internet
- B) The rate at which stock prices change**
- C) The number of shares issued
- D) The legality of the company

18. When an investor sells a stock for more than they paid for it, what is that gain called?

- A) A capital gain**
- B) A loss recovery
- C) A dividend surplus
- D) A bank charge

19. What is a 'bear market' typically associated with?

- A) Rising stock prices over a long period
- B) Falling stock prices and investor pessimism**
- C) High levels of company hiring
- D) Increased international trade

20. What is a 'bull market' typically associated with?

- A) Decreasing stock prices
- B) Rising stock prices and investor optimism**
- C) A period of economic recession
- D) The closure of a stock exchange