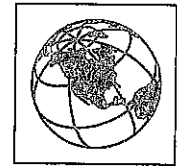


Study Guide Score. . . 35 Name _____

Deduct. Date _____ Class _____

Your Score. _____



Investing in Bonds and Stocks

STUDY GUIDE

PART I

Directions: Indicate your answer to each question below by placing a check mark on the line under *yes* or *no* at the right.

	YES	NO	For Scoring
1. Is a business that issues stocks actually borrowing money?	_____	_____	1. _____
2. Is a bondholder a creditor of the issuing company?	_____	_____	2. _____
3. Do investors usually buy municipal bonds through payroll deduction plans?	_____	_____	3. _____
4. Does the opportunity to make a high rate of return attract many people to invest in stocks?	_____	_____	4. _____
5. Do stockholders receive their dividends before any interest is paid to bondholders?	_____	_____	5. _____
6. Is the price at which a stock can be sold known as the market value?	_____	_____	6. _____
7. Are the two kinds of corporate stock called common and preferred?	_____	_____	7. _____
8. Do discount brokers charge lower commissions?	_____	_____	8. _____
9. Does a stock's P/E tell you what its yield is?	_____	_____	9. _____
10. Do investment clubs encourage you to save on a regular basis?	_____	_____	10. _____
11. Do all mutual funds have the same objective?	_____	_____	11. _____

PART II

Directions: Indicate whether each statement below is correct or incorrect by placing a check mark on the line under *true* or *false* at the right.

	TRUE	FALSE	For Scoring
1. Investments in U.S. savings bonds are not as safe as investments in the bonds of a business.	_____	_____	1. _____
2. A stockholder often shares in the profits of a business.	_____	_____	2. _____
3. It is possible to purchase stocks in which there is no chance of losing the money you have invested.	_____	_____	3. _____
4. A stockbroker arranges for the sale and purchase of stocks.	_____	_____	4. _____
5. Common stock is a safer investment than preferred stock.	_____	_____	5. _____
6. Places of business that specialize in the buying and selling of securities are called exchanges.	_____	_____	6. _____
7. The prices at which stocks have been bought and sold appear in many newspapers.	_____	_____	7. _____

For
Scoring

8. _____

9. _____

10. _____

8. A newspaper's bond listing includes U.S. savings bonds. _____
9. Mutual funds can include bonds as well as stocks. _____
10. Interest rates have little or no effect on bond prices. _____

PART III

Directions: Indicate your answer by placing the letter of the term in the blank to the right of its definition.

- | | |
|--------------------|-------------------------------|
| A. securities | H. common stock |
| B. bond | I. price-earnings ratio (P/E) |
| C. corporate bonds | J. stockbroker |
| D. face value | K. commission |
| E. municipal bonds | L. stock exchanges |
| F. market value | M. investment club |
| G. preferred stock | N. mutual funds |

ANSWERS

For
Scoring

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

11. _____

12. _____

13. _____

14. _____

1. A licensed specialist who helps investors buy and sell stocks and bonds. _____
2. Bonds issued by local and state governments. _____
3. A general term for bonds and stocks that are sold by corporations and governments to raise large sums of money. _____
4. A certificate representing a promise to pay a definite amount of money at a stated interest rate on a specified maturity date. _____
5. Stock that has priority over common stock in the payment of dividends.. _____
6. A fee charged by brokers for their services. _____
7. Funds set up and managed by investment companies that receive money from many investors and then usually buy and sell a wide variety of stocks or bonds. _____
8. The price at which a share of stock can be bought and sold in the stock market. _____
9. Stock that represents general ownership in a corporation and a right to share in its profits, but has no stated dividend rate. _____
10. A small group of people who organize to study stocks and invest money. _____
11. Business organizations that accommodate the buying and selling of securities. _____
12. The amount borrowed by the seller of a bond. _____
13. Debt securities issued by corporations. _____
14. The ratio of a stock's selling price to its earnings per share. _____

ACTIVITIES

Applying Information

At the right is a partial table of stock market transactions for one day. Refer to the text for an explanation of some of the details in the table. Other explanations are given below.

Stock Listing Explanations

- Company names are abbreviated—for example, DetEd is Detroit Edison.
- Stock is common stock unless “pf” or “pr” follows a name to indicate preferred stock.
- A number following the abbreviated company name shows the annual rate of dividend. For example, 1.60 means \$1.60 annual dividend per share.
- The meaning of all symbols used in stock market quotations is ordinarily explained at the end of the quotations in a newspaper.
- The price of a stock is indicated in dollars and fractions of a dollar. For example, a price of 13 1/8 means a share of that stock was priced at \$13.125 (\$13.12).

52 Weeks		Stocks	Sym	Div	Yld %	PE	Vol 100s	Hi	Lo	Close	Net Chg.
Hi	Lo							Hi	Lo	Close	Chg.
19%	9%	DCNY	DCY	.40	3.6	180	11	10%	11	+ 1/4	
20%	17	DPL inc	DPL	1.56	8.3	9	828	19	18%	18%	- 1/4
23%	19%	DQE	DQE	1.36	6.0	11	339	22%	22%	22%	- 1/4
9%	6%	DallasSemi	DS	...	...	17	516	8%	8%	8%	- 1/4
42%	36%	Dana Cp	DCN	1.60	4.3	13	598	38	37%	37%	...
22%	13%	Danaher	DHR	...	...	8	489	21	20%	20%	- 1/4
17%	11%	Danielind	DAN	.18	11	23	415	16%	16	16	- 1/4
19%	8%	DataGen	DGN	...	...	...	736	12	11%	12	...
6%	1%	Datapoint	OPT	...	...	77	3	2%	2%	2%	- 1/4
23	2%	Datapoint pf	...	...	...	1	3%	3%	3%	...	
7%	3%	DataDsgn	DDL	...	...	25	3%	3%	3%	...	
17%	10	DavisW&W	DWW	.29	2.6	30	25	11%	11	11%	+ 1/4
76	49%	DaynHud	DH	1.32	1.8	13	2711	73	71%	72%	- 1/4
85%	78%	DaytonPL pf	...	7.48	9.6	...	2120	78	78	78	...
83	75%	DaytonPL pf	...	7.37	9.4	...	2180	78	78	78	...
37%	28%	DeanFood	DF	.66	1.9	16	180	35%	34%	35%	+ 1/4
9%	8%	DeanW>r	GVT	.88	10.2	...	1369	8%	8%	8%	- 1/4
78%	52%	Deere	DE	2.00	2.8	13	2045	72%	72%	72%	+ 1/4
19	18%	DeValFnl	DVL	1.92	11.2	9	20	17%	17%	17%	- 1/4
21%	18	DelmarPL	DEW	1.54	8.1	11	71	19%	19%	19%	- 1/4
85%	61	DeltaAir	DAL	1.20a	1.5	10	3064	80%	79%	79%	- 1/4
18	6%	DeltaWdsda	DLW	.30	3.7	7	121	8%	8%	8%	- 1/4
6%	2%	Deltona	DLT	...	...	60	2%	2%	2%	...	
35%	28%	DeluxeCp	DLX	1.04	3.2	17	1374	32%	31%	32%	- 1/4
32%	16%	DensnMtg	DSN	1.32a	5.1	17	328	26%	26%	26%	- 1/4
48%	28	DeSoto	DSO	.40	9	...	145	43%	42%	43	- 1/4
27%	20%	DetEd	DTE	1.78	6.6	9	3688	27%	26%	26%	- 1/4
98	87%	DetEd pf	...	9.32	9.7	...	260	95%	95%	95%	- 1/4
82%	76	DetEd pf	...	7.68	9.5	...	2100	80%	80%	80%	+ 1/4
81	79%	DetEd pf	...	7.36	9.5	...	2100	77%	77%	77%	+ 1/4
27%	25%	DetEd prF	...	2.75	10.2	...	3	26%	26%	26%	+ 1/4
28	25%	DetEd prB	...	2.75	9.8	...	40	28	27%	28	+ 1/4
25%	23	DetEd pr	...	2.28	9.4	...	7	24%	24%	24%	+ 1/4
27%	20	Dexter	DEX	.88	3.8	14	798	23%	23%	23%	- 1/4
39%	24	DiagnstPdt	DP	.24	7.29	10	36%	36	36	- 1/4	
20	13%	DiaREIT	DR	1.68	12.1	14	120	13%	13%	13%	...
9%	3%	DiaShamOff	DSP	1.62a	41.8	...	361	3%	3%	3%	+ 1/4
27%	19%	DiaSham	DRM	48	1.9	14	458	15%	25%	25%	- 1/4
39	30	DiaShamRM pf	...	2.00	5.5	...	5	36%	36%	36%	+ 1/4
47	36%	Diebold	DBD	1.50	3.4	16	80	44%	43%	44	...
26%	16%	DigitalComm	DCA	...	...	10	1146	24	23%	23%	...

Use the table of stock market quotations above to answer the following questions:

- (a) What is the amount (in dollars and cents) of the annual dividend for each of the following common stocks:

(1) DPL Inc.	(4) Deluxe Cp
(2) Davis W&W	(5) DetEd
(3) Deere	(6) Diebold
- (b) What was the lowest price in dollars during the day paid for Deltona shares?
- (c) What is the name of the *common* stock with the highest closing price in the table above?
- (d) How many stocks in the table are preferred stocks?
- (e) How many shares of Dean Food were traded during the day?
- (f) What was the difference in dollars between the 52-week high and low price for Data Gen?
- (g) What was the difference during the day's trading between the highest and the lowest price for Danaher?
- (h) What was the difference in dollars between the last price for Dallas Semi and the closing price on the previous day? Indicate whether this was an increase or a decrease.

Applying Critical Thinking Skills

Listed below are the common types of mutual funds available to meet different investment needs. For each situation below, recommend a type of mutual fund from this list. Place the letter of the appropriate mutual fund in the space provided.

- A. BALANCE FUNDS include common stocks, preferred stocks, and bonds
- B. GROWTH FUNDS emphasize common stocks or fast growth companies and have potential for market growth.
- C. INCOME FUNDS feature stocks and bonds with high dividends and interest.
- D. INDUSTRY FUNDS, also called *specialty funds*, invest in common stocks of companies in the same industry.
- E. MONEY MARKET FUNDS have short-term debts of corporations and government securities that pay interest.
- F. MUNICIPAL BOND FUNDS feature debt instruments of state and local governments.
- G. GLOBAL STOCK FUNDS invest in stocks from many parts of the world.
- H. REGIONAL STOCK FUNDS emphasize stocks and other investments from one region of the world.

- 1. A young family wants long-term growth of investment dollars for college and retirement. _____
- 2. A teacher desires tax-exempt income from her investments. _____
- 3. An investor seeks to invest in companies located in the Middle East. _____
- 4. An investor is interested in an investment involving telecommunications stocks. _____
- 5. A middle-aged couple wants a mutual fund that has high current income. _____
- 6. A young lawyer wants a mutual fund that includes stocks of companies in many nations. _____