



CHAPTER LEARNING OBJECTIVES

- 1. STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN WHAT INVESTMENTS AND FINANCIAL ASSETS ARE**
- 2. STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN TERMS RELATED TO INVESTMENTS AND ASSETS SUCH AS - PORTFOLIO , PROSPECTUS , RISK , RETURN , AND DIVERSIFICATION**
- 3. STUDENTS WILL BE ABLE TO IDENTIFY , DEFINE , & EXPLAIN FINANCIAL INSTRUMENTS SUCH AS BONDS , STOCKS , CD s , FUTURES , AND OPTIONS**
- 4. STUDENTS WILL BE ABLE TO IDENTIFY , DEFINE , AND EXPLAIN THE TYPES OF BONDS , STOCKS , FUTURES , OPTIONS , AND CD s , THEIR CHARACTERISTICS , AND THEIR ADVANTAGES AND DISADVANTAGES**
- 5. STUDENTS WILL BE ABLE TO IDENTIFY , DEFINE , AND EXPLAIN THE COMPONENTS OF OUR FINANCIAL SYSTEM SUCH AS - CAPITAL MARKETS , MONEY MARKETS , PRIMARY , AND SECONDARY MARKETS**
- 6. STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE ROLE OF EACH TYPE OF EXCHANGE IN OUR FINANCIAL SYSTEM**
- 7. STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN THE MEASUREMENT SYSTEMS AND INDEXES THAT ARE USED TO GAGE THE PERFORMANCE OF THE FINANCIAL SYSTEM**
- 8. STUDENTS WILL BE ABLE TO EXPLAIN THE DIFFERENCE BETWEEN A BULL AND BEAR MARKET**
- 9. STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE DIFFERENCE BETWEEN THE DIFFERENT TYPES OF FINANCIAL INTERMEDIARIES**
- 10. STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN THE CAUSES OF THE GREAT FINANCIAL SYSTEM CRASH OF 1929 AND THE REASONS WHY A SIMILAR CRASH DID NOT HAPPEN IN 2001**

WHAT IS AN “INVESTMENT” ?

- 1.**
- 2.**



WHAT IS A “FINANCIAL ASSET / SECURITIES” ?



WHAT IS A “PORTFOLIO” ?

WHAT IS A “PROSPECTUS” ?

WHAT IS “RISK” ?



WHAT IS “RETURN” ?

“ THE _____ THE POTENTIAL RETURN, THE _____ THE INVESTMENT ”

BEWARE OF “PONZI SCHEMES” -

WHAT IS “DIVERSIFICATION” ?

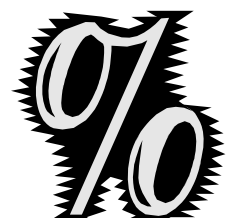
WHAT IS THE GENERAL FAILURE RATE FOR BUSINESSES ?

“BONDS” > 3 FUNDAMENTAL FACTS :

- 1.
- 2.
- 3.

WHAT ARE THE 4 COMPONENTS OF BONDS AND THEIR CHARACTERISTICS ?

1. “MATURITY” -
3. “PAR / FACE VALUE OR PRINCIPAL” -



3. “ COUPON RATE ” -

4. “ YIELD OR TOTAL RETURN ” -

WHY AND HOW ARE BONDS SOLD AT A DISCOUNT ?

WHAT ARE THE 2 ADVANTAGES TO A BOND ISSUER ?

1.

2.

WHAT ARE THE 2 DISADVANTAGES TO A BOND ISSUER ?

1.

2.

WHERE CAN A BOND INVESTOR GO TO FIND INFORMATION AND HOW ARE BONDS RATED ?

1.

2.

3.



Moody's Investors Service



WHAT ARE THE 4 TYPES OF BONDS ?

1. “ SAVINGS BONDS ” -

2. **TREASURY BONDS** >

1. “ T - BILLS ” -

2. “ TREASURY NOTES ” -



3. “ TREASURY BONDS ” -

4. “ ZERO COUPON BONDS ” -

3. “ MUNICIPAL BONDS (MUNIS) ” -

4. “ CORPORATE BONDS ” -

1.

2.

3.

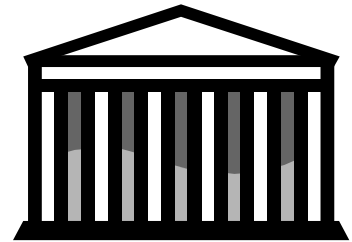
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WHAT ARE “ CERTIFICATES OF DEPOSIT ” AND THEIR 3 CHARACTERISTICS ?

1.

2.

3.



MONEY MARKET ACCOUNTS

1.

2.

3.

WHAT ARE “ STOCKS ” AND “ EQUITIES ” ?

WHAT ARE THE 3 POSSIBLE BENEFITS OF OWNING STOCKS ?

1. “ DIVIDENDS ” -



2. “ CAPITAL GAIN / LOSS ” -

3. “ STOCK SPLIT ” -

WHAT ARE THE 2 POSSIBLE DISADVANTAGES OF OWNING STOCK ?

1.

2.



WHAT ARE THE 4 WAYS TO CLASSIFY STOCKS ?

1. “ INCOME STOCK ” -

2. “ GROWTH STOCK ” -

3. “ COMMON STOCK ” -

4. “ PREFERRED STOCK ” -



WHAT ARE “ FUTURES ” ?

WHAT ARE “ OPTIONS ” ?



WHAT ARE “ MUTUAL FUNDS ” ?

1. ADVANTAGES -

1.

2.



2. **CHARACTERISTICS -**

1.

2.

WHAT IS THE “ FINANCIAL SYSTEM ” ?

THERE ARE 8 THINGS THAT CAN EFFECT THE FINANCIAL MARKETS :

1.

4.

7.

2.

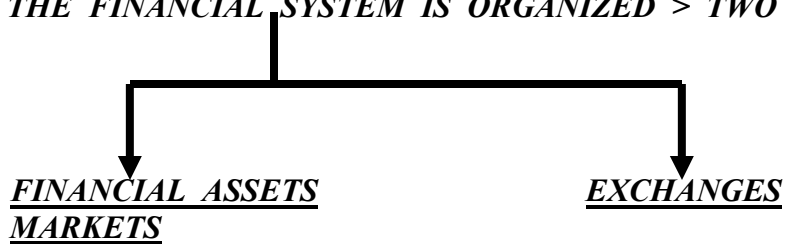
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8.

3.

6.

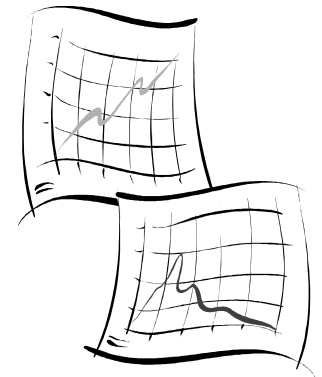
HOW THE FINANCIAL SYSTEM IS ORGANIZED > TWO PARTS :



THE TWO FINANCIAL ASSETS MARKETS 4 PARTS :

1. “ CAPITAL MARKETS ” -

2. “ MONEY MARKETS ” -



THERE ARE THREE TYPES OF EXCHANGES > THEY COME IN BOTH PHYSICAL AND VIRTUAL FORMS :

1. “ STOCK EXCHANGE ” -

1.

2.

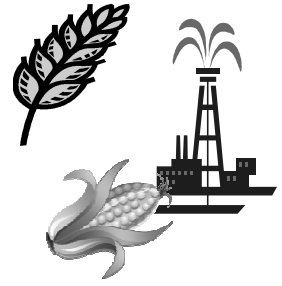


2.

1.

2.

3.



WHERE YOU CAN GO FOR THE INVESTMENT PRODUCTS :

1.

2.

3.

WHAT ARE THE 5 MOST COMMON ITEMS USED TO MEASURE THE PERFORMANCE OF THE FINANCIAL SYSTEM ?

1.

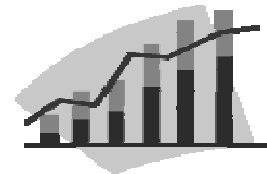
2.



3. “ THE DOW JONES INDUSTRIAL AVERAGE (THE DOW) ” -

4. “ THE S & P 500 (STANDARD & POORS) ” -

5.



WHAT IS THE DIFFERENCE BETWEEN “ BULL AND BEAR MARKETS ” ?

“ BEAR MARKET ” -

“ BULL MARKET ” -

WHAT WERE THE 6 THINGS THAT CAN CAUSE THE FINANCIAL MARKETS TO FAIL ?

1. “STOCK SPECULATION” -

2. “MARGIN BUYS” -

3.

4.

5.

6.



WEAPONS DESIGNED TO PREVENT COMPLETE CRASHES :

1.

2.

3.