

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. How do mortgage bonds differ from debenture bonds?

 2. What is the purpose of the underwriting process?

 3. The federal government debt security with the longest maturity is the _____.
 - a. treasury bill
 - b. treasury note
 - c. treasury bond
 - d. municipal bond

 4. A bond selling for \$1,000 and earning interest of \$45 would have a current yield of _____ percent.
 - a. 10
 - b. 45
 - c. 4.5
 - d. 40.5

 5. A _____ bond allows investors to exchange the bond for common stock in the same company.
 - a. debenture
 - b. convertible
 - c. mortgage
 - d. callable

 6. True or False? _____ A mortgage bond is considered a secured loan.

 7. True or False? _____ The bond rating of a corporate bond is based on the earning power of the issuing company.

 8. A federal government debt security that pays a variable rate that increases with consumer prices is _____.
 - a. T-Bill
 - b. T-Note
 - c. T-Bond
 - d. I-Bond
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TEAMWORK

Discuss in pairs or small groups and then write your conclusions below.

9. In your team, prepare a list of business situations for which a company may decide to issue bonds.