

## Section 2: Guided Reading and Review

# Bonds and Other Financial Assets



### A. As You Read

As you read Section 2, answer the questions on the lines provided.

1. How does an investor earn money by buying bonds at a discount? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
2. What are Standard & Poor's and Moody's ratings based on? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
3. What advantages do bonds offer to firms that issue them? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
4. What disadvantage do bonds present for the issuer? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
5. (a) What types of government bonds are available to investors? \_\_\_\_\_  
 \_\_\_\_\_  
 (b) Which type offers the greatest tax advantage? \_\_\_\_\_  
 \_\_\_\_\_
6. What three organizations help ensure value and prevent dishonesty in the bond market?  
 \_\_\_\_\_  
 \_\_\_\_\_
7. (a) What is the investment advantage of money market mutual funds over CDs and savings accounts? \_\_\_\_\_  
 (b) What is the disadvantage? \_\_\_\_\_
8. (a) In financial asset markets, how do capital markets differ from money markets? \_\_\_\_\_  
 \_\_\_\_\_  
 (b) How do primary markets differ from secondary markets? \_\_\_\_\_  
 \_\_\_\_\_

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### B. Reviewing Key Terms

Define the following terms.

9. maturity \_\_\_\_\_
10. corporate bond \_\_\_\_\_
11. junk bond \_\_\_\_\_
12. coupon rate \_\_\_\_\_