1. A high-yield corporate issuer seeks debt financing. Which description best fits the financing it can most readily obtain?

a. Secured, shorter-dated debt
b. Secured, longer-dated debt
c. Unsecured, shorter-dated debt

2. Two newly rated issuers seek similar loans. One has stable operating cash flows; the other's are volatile. Which issuer are lenders more likely to require to pledge collateral?

a. The issuer with stable cash flows
b. The issuer with volatile cash flows
c. Neither — the terms will match

3. A widely held investment-grade bond is downgraded into high yield. What is the most likely near-term effect on its price?

a. It rises as high-yield buyers compete for it
b. It falls as mandate-restricted holders are forced to sell
c. It holds steady until the next coupon date

4. A treasurer must hold cash for three months before a known outlay, prioritizing stability and liquidity. Why prefer money market instruments to long-term bonds despite the lower yield?

a. Long-term bonds would mature on the outlay date
b. Money market instruments pay the higher yield here
c. Long-term bonds carry more price and liquidity risk

5. Developed-market sovereign bonds in the sovereign's own currency are the lowest-credit-risk assets in their market. What gives them this status?

a. The sovereign government’s power to tax economic activity
b. A guarantee of a fixed real return
c. Their consistently short time to maturity

6. How does a broad fixed-income index typically differ from a broad equity index?

a. Fewer constituents, lower turnover
b. More constituents, higher turnover
c. Equal constituents, equal turnover

7. What is the most likely reason for fixed-income indexes exhibiting significantly higher turnover than equity indexes?

a. Bond indexes rebalance only once each year
b. Bond issuers seldom bring new issues to market
c. Bonds mature and new bonds are issued frequently

8. A fund tracks a bond index of over 10,000 issues. What is the most likely reason for it holding a representative sample rather than every constituent?

a. Full replication is impractical given the number of issues
b. Regulations cap bond funds at 1,000 holdings
c. Sampling removes the index's credit risk

9. Broad bond indexes weight constituents by market value of debt outstanding. Which issuer type therefore tends to carry a high weight?

a. Small high-yield corporations
b. Governments
c. Frequently downgraded issuers

10. A fund holds only long-term, high-yield corporate bonds. Which benchmark fits it best?

a. A long-term, high-yield corporate index
b. A long-term, investment-grade corporate index
c. A short-term, high-yield corporate index

11. A global bond index has hedged and unhedged return series. What distinguishes the unhedged series?

a. It excludes all foreign-currency bonds
b. It reflects the effect of currency fluctuations
c. It reinvests coupons on a different schedule

12. A fund holds US-dollar sovereign bonds of lower-credit-quality emerging-market issuers. Relative to developed-market sovereigns, what return do investors expect?

a. Similar, as both issuers are sovereigns
b. Lower, as the debt is more liquid
c. Higher, for the added credit and country risk