1. Under normal conditions, longer maturities bring both higher yields-to-maturity and higher credit spreads. An investor who buys a bond longer than her horizon and an issuer who funds a long project with shorter debt take on, respectively:

a. No added risk in either case, only a higher yield
b. Rollover risk, and price and reinvestment risk
c. Price risk, and rollover risk

2. Because a high-yield issuer's cash flows are more equity-like and uncertain than an investment-grade issuer's, analysts of the high-yield issuer place greater emphasis on:

a. The potential loss given default and the protections available
b. The government benchmark component of the yield
c. The issuer's dividend growth prospects

3. Compared with an investment-grade senior unsecured note, a secured high-yield note most likely adds:

a. A claim to pledged assets but fewer covenants overall
b. Only a restriction on sale-and-leaseback transactions
c. A claim to pledged assets together with leverage and distribution covenants

4. Alderton Industries can comfortably service its debt from operating cash flows. This strength most directly lets it:

a. Attribute most of its yield to an issuer-specific spread
b. Borrow only at short maturities under heavy covenants
c. Borrow with little monitoring, few covenants, and long maturities

5. Bellhaven Resources has a high likelihood of financial distress. Its long-term debt is therefore most consistent with:

a. Uniformly non-callable and unsecured bonds
b. A larger spread share of yield, more covenants, and shorter maturities
c. A smaller spread share of yield, fewer covenants, and longer maturities

6. A frequent investment-grade issuer holds many similar general-obligation unsecured bonds outstanding and staggers their maturities. The main purpose is to:

a. Push every maturity below ten years
b. Reduce rollover risk while still issuing opportunistically
c. Raise the credit spread on each new bond

7. Danforth Energy, a high-yield issuer expecting its credit to improve, issues callable bonds. The call benefits the issuer as borrowing costs fall, while for investors it means their:

a. Price gains from tightening spreads are capped at the call price
b. Price gains from tightening spreads are amplified
c. Coupon rises automatically as spreads tighten

8. A bond once sold to investment-grade investors is downgraded to high yield. Although its distress likelihood now resembles other high-yield issuers, the bond most likely:

a. Gains value as constrained investors add to positions
b. Converts at once to a callable, heavily covenanted structure
c. Keeps investment-grade features yet faces forced selling and price falls

9. Analyst Mara Nilsson contrasts how the two issuer types capture lower borrowing costs. Unlike an investment-grade issuer, a high-yield issuer most often must:

a. Rely on a benchmark-heavy yield with few restrictions
b. Restructure debt and renegotiate covenants, amid greater cyclical swings in availability
c. Issue opportunistically whenever conditions allow

10. To retain financial flexibility, high-yield issuers most often turn to:

a. Leveraged loans with prepayment features or bonds with contingency features
b. General-obligation unsecured bonds with few covenants
c. Long-dated non-callable bonds placed with rating-constrained investors