

# END OF CHAPTER EXERCISES

## Chapter 1 : Markets, Firms And Investors

### Investments : Spot and Derivatives Markets

(Keith Cuthbertson, Dirk Nitzsche)

1. What are the 'bid-ask spread', tick size and tick value?
2. Do market makers and brokers have different functions?
3. How do bonds differ from equity (stocks)?
4. In what way is a repo comparable to a visit to pawnbrokers?
5. A firm is undertaking a "1 for 4" rights issue. The current share price is \$3 and you hold 100 shares. The ex-rights price is \$2.8. How much could you obtain for the 'rights' you have acquired?
6. If you start a 'high-tec' firm, what are the likely sources of finance as the firm becomes successful?
7. What are the main types of bond issued by governments and firms? Why would they choose a particular mix of bonds for financing and what risks are involved?