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Chapter 19: Bonds and Mutual Funds

Check Your Answers: Section Assessment

Section 3

Review Key Concepts
1. A mutual fund is an investment alternative in which investors pool their money to buy stocks, bonds, and other securities based on the selections of professional managers who work for an investment company.

2. Mutual funds are professionally managed, and they are diversified, which reduces the shareholders’ risk.

3. Stock mutual funds, bond mutual funds, and mixed mutual funds.

4. Closed-end funds have a fixed number of shares that are issued by an investment company when the fund is first organized. Open-end funds have an unlimited number of shares that are issued and redeemed by an investment company at the investors’ request. Load funds require a commission every time shares are bought or sold. No-load funds do not require commissions.

Higher Order Thinking
5. Opinions should be supported by logic and reason. For example: fees are charged and justified because the manager is providing a service to the investor. It is not reasonable to expect such service for free.

English Language Arts
6. Fund Objectives Ana’s advice best addresses Kaylee’s concerns. Utility funds and money-market funds are considered safe and secure investments. The aggressive-growth funds and high-yield (junk) bond funds are too risky for Kaylee’s risk tolerance.

Mathematics
7. Load Fund Load charged = $2,250 × 5.5% = $123.75; Remaining amount invested = $2,250 - $123.75 = $2,126.25; Shares purchased = $2,126.25/$23.00 = 92.45 shares