

Question 1

The most common type of simple loan is a(an)

- A) automobile loan from a bank.
- B) mortgage loan from a bank.
- C) commercial loan from a bank.
- D) corporate bond.

Answer: <https://biology-forums.com/index.php?topic=1818397>

Question 2

Profits from speculation arise because of

- A) the spread between the bid and ask prices on bonds.
- B) the illiquidity of markets for derivative instruments.
- C) the high information costs in markets for derivative instruments.
- D) disagreements among traders about future prices of a commodity or financial instrument.

Answer: <https://biology-forums.com/index.php?topic=1818865>

Question 3

By reducing transactions and information costs, financial intermediaries can

- A) offer savers higher interest rates.
- B) offer borrowers lower interest rates.
- C) earn a profit.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=1819249>

Question 4

Members of the European Exchange Rate Mechanism (ERM)

- A) agreed to buy and sell gold at a fixed rate.
- B) promised to maintain the values of their currencies within a fixed range.
- C) attempted to maintain a fixed exchange rate against the dollar.
- D) all agreed to charge the same interest rate on central bank loans.

Answer: <https://biology-forums.com/index.php?topic=1820086>

Question 5

What was the name of the plan, enacted in 2011, in which the Fed bought \$400 billion worth of long-term securities while selling \$400 billion worth of short-term securities?

- A) Operation Go Long
- B) Operation Twist
- C) QE2
- D) QE3

Answer: <https://biology-forums.com/index.php?topic=1819934>

Question 6

The process by which investment banks guarantee a certain price to a firm issuing stocks or bonds is known as

- A) underwriting.
- B) securitization.
- C) proprietary trading.
- D) peer-to-peer lending.

Answer: <https://biology-forums.com/index.php?topic=1818223>

Question 7

Discount loans intended for banks that are NOT financially healthy are called

- A) primary credit.
- B) secondary credit.
- C) seasonal credit.
- D) repo loans.

Answer: <https://biology-forums.com/index.php?topic=1819925>

Question 8

Which of the following is NOT an important criterion for whether a good will be usable as a medium of exchange?

- A) The good must be of standardized quality.
- B) The good must be valuable relative to its weight.
- C) The good must have value even if it were not being used as money.
- D) The good must be durable so that value is not lost through product spoilage.

Answer: <https://biology-forums.com/index.php?topic=1818290>

Question 9

All of the following were reasons that the Fed increased the required reserve ratio in 1936 EXCEPT

- A) concerns over the possibility of future inflation.
- B) to eliminate the high level of excess reserves.
- C) fears that the economy was overheating.
- D) concerns over a speculative bubble.

Answer: <https://biology-forums.com/index.php?topic=1819813>

Question 10

If the U.S. current account balance is negative,

- A) its financial account is likely to be positive.
- B) its financial account is likely to be negative.
- C) it must use official settlements to balance its payments.
- D) its balance of payments cannot be zero.

Answer: <https://biology-forums.com/index.php?topic=1820047>

Question 11

Credit rationing refers to

- A) the increase in the interest rate that occurs when the demand for credit increases.
- B) the increase in the interest rate that occurs when the supply of credit increases.
- C) the increase in the interest rate that occurs when the supply of credit decreases.
- D) a restriction in the availability of credit.

Answer: <https://biology-forums.com/index.php?topic=1819174>

Question 12

Under the efficient markets hypothesis, what would be the price per share of a company whose current dividend is \$10.00 and whose dividends are expected to grow by 3% per year (assume the risk-adjusted interest rate is 10%)?

- A) \$74.62
- B) \$79.23
- C) \$142.86
- D) \$147.14

Answer: <https://biology-forums.com/index.php?topic=1818802>

Question 13

The yield to maturity on a new one-year discount bond equals

- A) $(FV - P)/P$.
- B) $(D - FV)/P$.
- C) $(FV - P)/FV$.
- D) $(P - FV)/FV$.

Answer: <https://biology-forums.com/index.php?topic=1818424>

Question 14

The prime interest rate is the

- A) interest rate on six-month U.S. Treasury bills.
- B) discount rate.
- C) federal funds rate.
- D) interest rate that banks charge high-quality borrowers.

Answer: <https://biology-forums.com/index.php?topic=1819344>

Question 15

Which of the following factors would tend to increase the size of the premium on an options contract?

- A) The option is near its expiration date.
- B) The current default-risk-free interest rate is high.

- C) The price volatility of the underlying asset is low.
- D) The option is far away from its expiration date.

Answer: <https://biology-forums.com/index.php?topic=1818969>

Question 16

Research by Reinhart and Rogoff indicate that most of the increase in national debt as a result of a financial crisis is due to

- A) government bailouts of financial institutions.
- B) increased spending on social welfare programs.
- C) government stimulus programs.
- D) sharp declines in tax revenues.

Answer: <https://biology-forums.com/index.php?topic=1819522>

Question 17

When did the Fed first begin to use open market operations as a policy tool?

- A) the 1920s
- B) the 1930s
- C) the 1960s
- D) the 1980s

Answer: <https://biology-forums.com/index.php?topic=1819896>

Question 18

From 2010-2015, which source of funds for corporations grew the most?

- A) net new stock issues
- B) net new bond issues
- C) net new loans
- D) net new commercial paper

Answer: <https://biology-forums.com/index.php?topic=1819244>

Question 19

When it takes more euros to purchase a dollar, the dollar is said to have

- A) depreciated.
- B) appreciated.
- C) It depends on whether one is using direct or indirect quotations.
- D) It depends on whether one is considering cross rates or exchange rates.

Answer: <https://biology-forums.com/index.php?topic=1819025>

Question 20

In what way can the stock market affect the overall economy?

- A) It's an important source of funds for corporations.
- B) It can affect consumer and business sentiment.
- C) It is an important factor affecting consumer wealth and thus consumer spending.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=1818746>