

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>