|  |  |
| --- | --- |
| **Ali məktəbin adı** | Azərbaycan Dövlət İqtisad Universiteti (UNEC) |
| **İxtisasın adı** | Maliyyə |
| **Fənnin adı** | Bank işi |
| **Təhsil səviyyəsi**  | Bakalavriat |
| **Fənn bölümü (Ümumpeşə / İxtisas)** | Ümumpeşə |
| **Fənn bölümündə neçənci fəndir** |  |
| **1.** | **What is fiat money?**  |  |
| a) | It is currency which derives its value from government regulation or law | + |
| b) | It is currency which derives its value from the market |  |
| c) | It is currency which derives its value from demand of the public |  |
| d) | It is currency which derives its value from the impact of foreign trade | + |
| e) | None of above |  |
| **2.** | **Depository institution create liquidity when they:** |  |
| a) | Borrow for short term and lend for long term |  |
| b) | Lend for short term and borrow for long term | + |
| c) | Have illiquid assets |  |
| d) | Buy assets that are illiquid |  |
| e) | Involve new investment capital  |  |
| **3.** | **Money that a government has required to be accepted in settlement of debts is:**  |  |
| a) | Commodity money  |  |
| b) | Barter money  |  |
| c) | Legal tender  |  |
| d) | Currency value | + |
| e) | Barter trade |  |
| **4.** | **Which one of the followings is TRUE for narrow measure of money supply?** |  |
| a) | Narrow measure include most liquid assets | + |
| b) | Narrow measure include least liquid assets |  |
| c) | Narrow measures is less related to monetary policy |  |
| d) | Narrow measures is less related to monetary policy |  |
| e) | All of the above are TRUE |  |
| **5.**  | **Current account is a part of the following money measure:** |  |
| a) | M0 |  |
| b) | M1 |  |
| c) | M2 |  |
| d) | M3 |  |
| e) | All of the above | + |
| **6.** | **What are the 3 tools for conducting monetary policy?** |  |
| a) | Open market operations, tax rates and interest rates |  |
| b) | Discount rates, tax rates and government spending |  |
| c) | OMO, interest rates and required reserve | + |
| d) | Required reserve, government spending and interest rates |  |
| e) | Interest rates, Tax rates and required reserve |  |
| **7.** | **The Central Banks’ most commonly used monetary policy tool is:** |  |
| a) | Open market operation | + |
| b) | Tax rates |  |
| c) | Discount rate |  |
| d) | Required reserve |  |
| e) | All of the above |  |
| **8.** | **Which one of the following is TRUE about banks?** |  |
| a) | Banks accept deposits at higher rates and lend at lower rates |  |
| b) | Banks are financial intermediaries that connect those in excess of fund and the ones who demand funds | + |
| c) | Banks are nonprofit institutions |  |
| d) | Banks can achieve license to accept deposits |  |
| e) | All of the above |  |
| **9.** | **Consolidation in the banking sector \_\_\_\_\_\_\_ lead to \_\_\_\_\_\_\_\_ pricing.** |  |
| a) | does, monopoly. |   |
| b) | does, competitive. |  + |
| c) | does not, monopoly. |  + |
| d) | does, uniform |  |
| e) | does not, uniform |  |
| **10.** | **Which one of the following is NOT a loan product?** |  |
| a) | Mortgage |  |
| b) | Auto |  |
| c) | Deposits | + |
| d) | Personal |  |
| e) | All of the above are lone products |  |
| **11.** | **Which one of the following is TRUE about banks?** |  |
| a) | Banks accept deposits at higher rates and lend at lower rates |  |
| b) | Banks are government institutions that connect those in excess of fund and the ones who demand funds |  |
| c) | Banks are depository institutions | + |
| d) | Banks can achieve license to accept deposits |  |
| e) | Banks are investment companies that give a loan and deposit to ones who demand funds  |  |
| **12.** | **If the economy is suffering from a recessionary gap, the Fed should conduct monetary policy by the money supply.** |  |
| a) | expansionary; decreasing |  |
| b) | expansionary; increasing | + |
| c) | contractionary; decreasing |  |
| d) | contractionary; increasing |  |
| e) | All of the above  |  |
| **13.** | **If bad credit risks are the ones who most actively seek loans and, therefore, receive them from financial intermediaries, then financial intermediaries face the problem of**  |  |
| a) | moral hazard  |  |
| b) | costly state verification.  |  |
| c) | adverse selection | + |
| d) | free-riding.  |  |
| e) | None of the above |  |
| **14.**  | **22) The presence of transaction costs in financial markets explains, in part, why**  |  |
| a) | corporations get more funds through equity financing than they get from financial intermediaries.  |  |
| b) | financial intermediaries and indirect finance play such an important role in financial markets.  | + |
| c) | equity and bond financing play such an important role in financial markets.  |  |
| d) | direct financing is more important than indirect financing as a source of funds.  |  |
| e) | Direct financing is less important than direct financing as a source of funds |  |
| **15.** | **What is the highest supreme body of banks in Azerbaijan?** |  |
| a) | Annual General Meeting (AGM) | + |
| b) | Supervisory Board |  |
| c) | Board of Directors |  |
| d) | Audit Committee |  |
| e) | Asset Liability Committee |  |
| **16.**  |  **is a group of individuals chosen by the shareholders of a company to promote their interests through the governance of the company and to hire and supervise the executive directors.**  |  |
| a) | Annual General Meeting |  |
| b) | Supervisory Board | + |
| c) | Audit Committee |  |
| d) | Remuneration Committee |  |
| e) | Asset Liability Committee |  |
| **17.** | Holding everything else constant,  |  |
| a) | the more liquid an asset, relative to alternative assets, the greater will be the demand.  | + |
| b) | if an asset's risk rises relative to that of alternative assets, the demand will fall.  |  |
| c) | the lower the expected return relative to alternative assets, the greater will be the demand.  |  |
| d) | if an capital's risk decrease relative to that of alternative assets, the demand will rise.  |  |
| e) | all of the above.  |  |
| **18.** | **During periods of rapidly rising prices:** |  |
| a) | money fails to serve as a good store of value |  + |
| b) | money fails to serve as a unit of account |  |
| c) | money fails to serve as a medium of exchange |  |
| d) | money fails to serve as a standard of value |  |
| e) | money fails to serve as high trading of goods |  |
| **19.** | **Expansionary monetary policy:** |  |
| a) | tends to lead to an appreciation of a nation's currency |  |
| b) | usually has no effect on a currency's exchange value |  |
| c) | tends to lead to a depreciation of the currencies of other nations |  |
| d) | tends to lead to a depreciation of a nation's currency |  + |
| e) |  |  |
| **20.** | **Which one of the followings is TRUE for narrow measure of money supply?** |  |
| a) | Narrow measure include most liquid assets | + |
| b) | Narrow measure include least liquid assets |  |
| c) | Narrow measures is less related to monetary policy |  |
| d) | Narrow measures is less related to liquid assets |  |
| e) | All of the above are TRUE |  |
| **21.** | **If the quantity of money demanded is less than the quantity of money supplied, then the interest rate will** |  |
| a) | Increase |  |
| b) | Decrease | + |
| c) | Not change |  |
| d) | Change quickly  |  |
| e) | Either increase or decrease |  |
| **22.** | **The most liquid form of money is:** |  |
| a) | M1 | + |
| b) | M2 |  |
| c) | Gold |  |
| d) | Barter |  |
| e) | Commodity  |  |
| **23.** | **All of the following statements about M1 are correct except:** |  |
| a) | M1, compared to M2 and M3, is the most readily available money form |  |
| b) | Travelers' checks are a form of M1 money |  |
| c) | Savings accounts are a form of M1 money | + |
| d) | the M1 money supply is less than the quantities that make up M2 and M3 |  |
| e) | Time deposit accounts are a form of M1 money |  |
| **24.** | **If Wolfgang transfers $1,000 out of his non-current deposit account and places it in his current deposit account:** |  |
| a) | M1 and M2 fall |  |
| b) | M1 falls and M2 rises |  |
| c) | M1 falls and M3 rises |  |
| d) | M1 rises and M2 remains the same | + |
| e) | M2 falls and M1 rises |  |
| **25.** | **The M2 measure of money supply equals:** |  |
| a) | M1 plus small denomination saving accounts | + |
| b) | M1 plus large denomination saving accounts |  |
| c) | M3 plus small denomination saving accounts |  |
| d) | Saving account balances plus small denomination time deposits |  |
| e) | All of the above |  |
| **26.** | **The different components of the money supply reflect:** |  |
| a) | Variations in liquidity and accessibility of assets | + |
| b) | Whether deposits are domestic or international |  |
| c) | How often depositors use their accounts |  |
| d) | Whether save account are local or international |  |
| e) | All of the above |  |
| **27.** | **Transactions-account balances are included in:** |  |
| a) | M1  |  |
| b) | M2 |  |
| c) | M3 |  |
| d) | M4 |  |
| e) | All of the above | + |
| **28.** | **Savings accounts are included in:** |  |
| a) | M1, M2 and M3 |  |
| b) | M3 only |  |
| c) | M2 only |  |
| d) | M2 and M3 | + |
| e) | All of the above  |  |
| **29.** | **Which one of the following is a feature of fixed payment loan?** |  |
| a) | The borrowed amount should be repaid in equal installments which includes some principal and some interest amount. | + |
| b) | The borrower pays fixed interest payments and the principal is repaid at maturity |  |
| c) | The bond is bought at price lower than the face value, and the face value is repaid at the maturity.  |  |
| d) | The borrowed amount should be repaid in equal installments which includes some principal and some interest amount |  |
| e) | All of the above |  |
| **30.** | **According to Fisher equation:** |  |
| a) | Real interest rate equals nominal interest rate minus inflation | + |
| b) | Nominal interest rate equals real interest rate minus inflation |  |
| c) | Inflation equals real interest rate minus nominal interest rate |  |
| d) | Inflation equals real interest rate plus nominal interest rate |  |
| e) | None of the above |  |
| **31.** | **\_\_\_\_\_\_\_\_\_\_ are wealthy individuals who provide venture capital in return for a portion of a new firm's equity, but do not maintain strong oversight.** |  |
| a) | Angel capitalists | + |
| b) | Venture capitalists |  |
| c) | Corporate raiders |  |
| d) | Small business investment companies |  |
| e) | Investment companies  |  |
| **32.** | **Holders of equity capital:** |  |
| a) | have loaned money to the firm |  |
| b) | receive guaranteed income |  |
| c) | own the firm | + |
| d) | receive interest payments |  |
| e) | Have the right that invest |  |
| **33.** | **If the interest rate falls, then;** |  |
| a) | bond prices will remain the same |  |
| b) | bond prices will rise | + |
| c) | bond prices will fall |  |
| d) | the bond will lose its value |  |
| e) | None of the above |  |
| **34.** | **When economists refer to "tight" monetary policy, they mean that the Central Bank is taking actions that will…………..** |  |
| a) | Increase demand for money |  |
| b) | Decrease demand for money |  |
| c) | Expand money supply |  |
| d) | Decrease money supply | + |
| e) | None of the above |  |
| **35.** | **Which one of the following is a monetary policy tool?** |  |
| a) | Changing required reserve | + |
| b) | Raising individual tax rates |  |
| c) | Changing corporate tax rates |  |
| d) | Changing interest rates |  |
| e) | None of the above |  |
| **36.** | **When Central Bank buys or sells government securities, it uses the tool of monetary policy known as:** |  |
| a) | Open market operations | + |
| b) | Tax rates |  |
| c) | Reserve requirements |  |
| d) | Discount rates |  |
| e) | All of the above  |  |
| **37.** | **Fiscal policy refers to:** |  |
| a) | The government tax policy |  |
| b) | The actions of Central Bank to stabilize economy |  |
| c) | Expenditure and taxing policy used by government to fine tune the economy | + |
| d) | Contractionary monetary policy |  |
| e) | None of the above |  |
| **38.** | **An example of an expansionary monetary policy is:** |  |
| a) | An increase in required reserve |  |
| b) | A decrease in required reserve | + |
| c) | An increase in discount rate |  |
| d) | An increase in tax rate |  |
| e) | None of the above |  |
| **39.** | **If the Central Bank buys government securities in open market, this is example of:** |  |
| a) | Expansionary fiscal policy | + |
| b) | Required reserve policy |  |
| c) | Expansionary monetary policy |  |
| d) | The government tax policy |  |
| e) | None of the above |  |
| **40.**  | **Which of the following are true concerning the distinction between interest rates and return?**  |  |
| a) | The return can be expressed as the sum of the current yield and the rate of capital gains.  |  |
| b) | The rate of return on a bond will not necessarily equal the interest rate on that bond.  |  |
| c) | The rate of return will be greater than the interest rate when the price of the bond falls between time t and time t+1.  |  |
| d) | All of the above are true.  |  |
| e) | Only (a) and (b) of the above are true.  | + |
| **41.** | **If the Central Bank sells government securities in open market, this is example of:** |  |
| a) | Contractionary monetary policy | + |
| b) | Expansionary monetary policy |  |
| c) | Expansionary fiscal policy |  |
| d) | A decrease in required reserve |  |
| e) | None of the above |  |
| **42.** | **If the Central Bank decreases interest rates, this is example of;** |  |
| a) | Expansionary monetary policy | + |
| b) | Expansionary fiscal policy |  |
| c) | Contractionary fiscal policy |  |
| d) | Contractionary monetary policy |  |
| e) | None of the above |  |
| **46.** | **The real interest rate (r) is equal to:** |  |
| a) | the nominal interest rate (i) ÷ inflation (π). |  |
| b) | the nominal interest rate (i) \* inflation (π) ÷ tax rate (y) |  |
| c) | the nominal interest rate (i) - inflation (π)  |  |
| d) | the nominal interest rate (i) - inflation (π) + tax rate (y) |  |
| e) | the nominal interest rate (i) + inflation (π). | + |
| **48.** | **Suppose you deposit $3,000 today into an account that will earn 10 percent interest, compounded quarterly. How much will your account be worth at the end of 1 year?** |  |
| a) | 4,392 | + |
| b) | 5,392 |  |
| c) | 3,292 |  |
| d) | 3,504 |  |
| e) | 5,324 |  |
| **49.**  | **James deposited $1,000 today into an account that will earn 20% interest, compounded annually. How much will your account be worth at the end of 2 years?** |  |
| a) | 1,440 | + |
| b) | 1,540 |  |
| c) | 1,450 |  |
| d) | 1,405 |  |
| e) | 1,504 |  |
| **51.** | **You have antiques. Today, the antique is worth $2000. How much would it be worth at the end of 2 years, the value of antique increases 20% annually?**  |  |
| a) | 2,880 | + |
| b) | 2,960 |  |
| c) | 2,580 |  |
| d) | 2,890 |  |
| e) | 2,850 |  |
| **52.** | **Bob deposited $2,000 today into an account that will earn 5% interest, compounded annually. How much will your account be worth at the end of 2 years?** |  |
| a) | 2,205 | + |
| b) | 2,250 |  |
| c) | 5,205 |  |
| d) | 5,250 |  |
| e) | 5,250 |  |
| **53.** | **How much would you have to deposit today to have $10,000 in 2 years at 6% interest compounded semiannually?** |  |
| a) | 8,921 |  |
| b) | 7,921 | + |
| c) | 6,921 |  |
| d) | 1,291 |  |
| e) | 2,440 |  |
| **54.** | **Last national bank offers a CD paying 7% interest (compounded annually). If you invest $1,000 how much will you have at the end of year 5?** |  |
| a) | 712.99 |  |
| b) | 1,402.55 | + |
| c) | 1,350 |  |
| d) | 1,000 |  |
| e) | 3,500 |  |
| **55.** | **Because equity holders are the last to receive any distribution of assets as a result of bankruptcy proceedings, ordinary shareholders expect:** |  |
| a) | greater compensation in the form of dividends and rising share prices | + |
| b) | warrants to be attached to the share issue as a sweetener |  |
| c) | fixed dividend payments |  |
| d) | all profits to be paid out in dividends |  |
| e) | the value of a stock is a function of its expected growth rate in dividend |  |
| **56.** | **If the Central Bank increases interest rates, this is example of;** |  |
| a) | Expansionary monetary policy |  |
| b) | Contractionary monetary policy | + |
| c) | Expansionary fiscal policy |  |
| d) | Contractionary fiscal policy |  |
| e) | None of the above |  |
| **57.** | **The organization responsible for conducting monetary policy in Azerbaijan is the………..** |  |
| a) | Central Bank  | + |
| b) | Ministry of Finance |  |
| c) | Ministry of Economic Development |  |
| d) | Ministry of Taxes |  |
| e) | None of the above |  |
| **58.** | **Angel capitalists are:** |  |
| a) | wealthy individuals who provide venture capital in return for a portion of a new firm's equity, but do not maintain strong oversight | + |
| b) | poor individuals who provide venture capital in return for a portion of a new firm's equity, but do not maintain strong oversight |  |
| c) | wealthy individuals who provide venture capital in return for a portion of a new firm's equity, but do maintain strong oversight |  |
| d) | poor individuals who provide venture capital in return for a portion of a new firm's equity, but do maintain strong oversight |  |
| e) | None of the above |  |
| **59.** | **The market price of bonds can fluctuate depending on:** |  |
| a) | How many bonds were sold |  |
| b) | Who bought bonds |  |
| c) | The amount of coupon |  |
| d) | The interest rate | + |
| e) | The tax rate |  |
| **60.** | **According to the constant growth model:** |  |
| a) | the value of a stock is a function of its expected growth rate in dividend | + |
| b) | the higher the discount rate, the higher the stock price |  |
| c) | the larger the holding period, the higher the stock price |  |
| d) | the value of a stock depends on the holding period of an investor |  |
| e) | the smaller the holding period, the lower the stock price |  |
| **61.** | **Which one of the following is a feature of a discount bond?** |  |
| a) | The borrowed amount should be repaid in equal installments which includes some principal and some interest amount |  |
| b) | Principal and interest are paid at maturity.  |  |
| c) | The bond is bought at price lower than the face value, and the face value is repaid at the maturity.  | + |
| d) | The borrower pays fixed interest payments and the principal is repaid at maturity |  |
| e) | The bond is bought at price higher than the face value, and the face value is repaid at the maturity. |  |
| **62.** | **According to coupon bond market instruments:** |  |
| a) | The borrower pays fixed interest payments and the principal is repaid at maturity | + |
| b) | The bond is bought at price lower than the face value, and the face value is repaid at the maturity. |  |
| c) | The borrowed amount should be repaid in equal installments which includes some principal and some interest amount. |  |
| d) | The bond is bought at price higher than the face value, and the face value is repaid at the maturity. |  |
| e) | None of the above |  |
| **63.** | **Which of the following is not a financial instrument?** |  |
| a) | Treasury bill. |  |
| b) | Real estate  | + |
| c) | Mortgage loan. |  |
| d) | Federal funds loan. |  |
| e) | None of the above |  |
| **65.** | **The time until final principal and interest payments are due to holders of a financial instrument is the instrument’s time until** |  |
| a) | expiration. |  |
| b) | maturity. | + |
| c) | execution. |  |
| d) | liquidation. |  |
| e) | None of the above |  |
| **66.** | **Financial instruments with maturities of less than one year are traded in the** |  |
| a) | equity market |  |
| b) | capital market. |  |
| c) | money market. | + |
| d) | fixed-income market.  |  |
| e) | derivative market |  |
| **67.** | **A 30-year Treasury bond that was issued in last year is sold in a I) money market II) capital market III) primary market IV) secondary market** |  |
| a) | Both I and III. |  |
| b) | Both I and IV. |  |
| c) | Both II and III. |  |
| d) | Both II and IV. | + |
| e) | Both I and II |  |
| **68.**  | **Which of the following is a money market instrument?** |  |
| a) | A Treasury note. |  |
| b) | A federal funds loan. | + |
| c) | A corporate bond. |  |
| d) | A mortgage loan |  |
| e) | A Treasure bond |  |
| **69.** | **Which of the following is a capital market instrument?** |  |
| a) | A certificate of deposit. |  |
| b) | A federal funds loan. |  |
| c) | Commercial paper. | + |
| d) | A Treasury bond. |  |
| e) | All of the above  |  |
| **70.** | **Which of the following is the most popular U.S. money market instrument by value of holdings?** |  |
| a) | Treasury bill. | + |
| b) | Eurodollar. |  |
| c) | Federal fund. |  |
| d) | Banker’s acceptance. |  |
| e) | None of the above |  |
| **71.** | **An example of asymmetric information in financial markets is that** |  |
| a) | the borrower knows more than the lender. |  |
| b) | the lender knows more than the borrower. |  |
| c) | the borrower has a long-term goal while the lender has a short-term goal. | + |
| d) | the borrower and lender have different expectations about financial markets. |  |
| e) | the borrower and lender have different reasons to participate in financial markets. |  |
| **72.** | **The problem associated with asymmetric information before the financial transaction occurs is known as** |  |
| a) | moral hazard. |  |
| b) | adverse selection. | + |
| c) | free-riding. |  |
| d) | inside trading. |  |
| e) | All of the above |  |
| **73.** | **As a result of the adverse selection problem,** |  |
| a) | lenders will tend to finance only low-risk projects. | + |
| b) | lenders will become reluctant to finance otherwise low-risk projects. |  |
| c) | only borrowers with good credit history are likely to seek loans. |  |
| d) | only borrowers with high net worth are likely to seek loans. |  |
| e) | the borrower and lender have different expectations about financial markets. |  |
| **74.** | **Moral hazard is a problem that arises** |  |
| a) | only in primary markets. |  |
| b) | only in secondary markets. |  |
| c) | before a financial transaction is made. |  |
| d) | after a financial transaction is made. | + |
| e) | All of the above  |  |
| **75.** | **Which of the following is a major reason for the existence of financial intermediaries?** |  |
| a) | The existence of long-term financial instruments. |  |
| b) | Problems related to asymmetric information. |  |
| c) | The ability to borrow funds directly from savers. | + |
| d) | To avoid government regulation in other financial markets. |  |
| e) | None of the above |  |
| **76.** | **Which of the following requires financial intermediaries?** |  |
| a) | Direct finance. | + |
| b) | Indirect finance. |  |
| c) | Direct purchase of retail goods. |  |
| d) | Long term finance |  |
| e) | None of the above. |  |
| **77.** | **Mutual funds permit those who desire to save to pool their funds together for the purpose of purchasing financial instruments with large denominations. As a result, the average fund management costs are lower than they would be if individual savers tried to manage their funds individually. This is an example of** |  |
| a) | moral hazard. |  |
| b) | adverse selection. |  |
| c) | asymmetric information. |  |
| d) | economies of scale. | + |
| e) | None of the above |  |
| **78.** | **Which of the following is a depository financial institution?** |  |
| a) | A savings bank. | + |
| b) | An investment bank. |  |
| c) | A finance company. |  |
| d) | A pension fund. |  |
| e) | An Inshurance company |  |
| **79.** | **Which of the following is not a depository financial institution?** |  |
| a) | A savings and loan association. |  |
| b) | A credit union. |  |
| c) | A mutual fund company. | + |
| d) | A commercial bank. |  |
| e) | A None of the above |  |
| **80.** | **Which of the following is an example of financial intermediation?** |  |
| a) | An Internet company issues stock by selling shares directly to buyers. |  |
| b) | A woman opening a new business borrows funds from her uncle. |  |
| c) | A professor purchases shares of stock directly from a corporation. |  |
| d) | A bank extends a mortgage loan to a household. | + |
| e) | A man launch a new business borrows funds from investment companies |  |
| **81.** | **Which of the following financial intermediaries specialize in extending credit to small, higher-risk businesses?** |  |
| a) | Commercial banks. | + |
| b) | Savings and loan associations. |  |
| c) | Finance companies. |  |
| d) | Insurance companies. |  |
| e) | Investment banks |  |
| **82.** | **Which of the following financial intermediaries specialize in making mortgage loans?** |  |
| a) | Pension funds. |  |
| b) | Savings and loan associations. | + |
| c) | Finance companies. |  |
| d) | Insurance companies. |  |
| e) | Commercial banks |  |
| **83.** | **The act of financial intermediation consists of** |  |
| a) | transforming equity shares into debt instruments such as bonds. |  |
| b) | converting gold into paper currency. |  |
| c) | transforming liabilities into assets. | + |
| d) | safekeeping other people's funds. |  |
| **e)** | transforming liabilities into equities. |  |
| **84.** | **Which of the following can be described as involving direct finance?**  |  |
| a) | A corporation buys commercial paper issued by another corporation.  | + |
| b) | People buy shares in a mutual fund.  |  |
| c) | An insurance company buys shares of common stock in the over-the-counter markets.  |  |
| d) | A corporation takes out a loan from a bank.  |  |
| e) | None of the above.  |  |
| **85.** | **Which of the following are long-term financial instruments?**  |  |
| a) | A) A six-month loan  |  |
| b) |  A negotiable certificate of deposit  |  |
| c) | A bankers acceptance  |  |
| d) | A U.S. Treasury bill  |  |
| e) | None of the above  | + |
| **88.** | **6) Which of the following are short-term financial instruments?**  |  |
| a) | A bankers acceptance  |  |
| b) | A U.S. Treasury bill  | + |
| c) | A negotiable certificate of deposit  |  |
| d) | A six-month loan  |  |
| e) | All of the above  |  |
| **89.** | **Which of the following are secondary markets?**  |  |
| a) | The over-the-counter stock market  |  |
| b) | The options markets  |  |
| c) | The U.S. government bond market  |  |
| d) | The New York Stock Exchange  |  |
| e) | All of the above  | + |
| **90.** | **Which of the following statements about financial markets and securities are true?**  |  |
| a) | A debt instrument is long term if its maturity is ten years or longer.  | + |
| b) | The maturity of a debt instrument is the time (term) to that instrument's expiration date.  |  |
| c) | A debt instrument is intermediate term if its maturity is less than one year.  |  |
| d) | A bond is a long term security that promises to make periodic payments called dividends to the firm's residual claimants.  |  |
| e) | A equity instrument is intermediate term if its maturity is more than one year.  |  |
| **92.** | **A bank is solvent as long as it** |  |
| a) | has enough capital to pay off depositors |  |
| b) | has mostly good loans |  |
| c) | does not experience a run on its deposits |  |
| d) | is able to meet all demands by depositors for payment | + |
| e) | has mostly good deposits  |  |
| **93.** | **As opposed to most other debt instruments, mortgage loans tend to** |  |
| a) | charge lower interest rates |  |
| b) | be of larger denomination |  |
| c) | pay interest less frequently |  |
| d) | be repaid over the life of the loan | + |
| e) | All of the above |  |
| **94.** | **A central bank sale of \_\_\_\_\_\_\_\_ to purchase \_\_\_\_\_\_\_\_ in the foreign exchange market results in** |  |
| a) | an equal rise in its international reserves and the monetary base. |  |
| b) | foreign assets; domestic currency |  |
| c) | foreign assets; foreign currency |  |
| d) | domestic currency; domestic assets | + |
| e) | Foreign equity; domestic currency  |  |
| **96.** | **Which category of financial institution is, relatively speaking, the most important?** |  |
| a) | deposit-taking intermediaries. | + |
| b) | non-deposit intermediaries. |  |
| c) | insurance companies. |  |
| d) | investment funds. |  |
| e) | All of the above |  |
| **97.** | **Securitization means that** |  |
| a) | assets that are normally not liquid are made liquid by pooling them and re-selling them as short-term assets. | + |
| b) | short-term liquid assets are pooled and then converted to long-term high yielding assets. |  |
| c) | the purchase of newly issued securities by Investment dealers. |  |
| d) | describes a situation where securities are sold to the highest bidders. |  |
| e) | None of the above |  |
| **98.** | **The money market is for the trading of \_\_\_\_\_\_\_\_ instruments while the capital market is where \_\_\_\_\_\_\_\_ instruments are traded.** |  |
| a) | bonds, Treasury-bills. |  |
| b) | long-term, short-term |  |
| c) | cash, tangible |  |
| d) | short-term, long-term | + |
| e) | bond, stock |  |
| **99.** | **A primary market is one in which** |  |
| a) | newly printed money is transferred to the banks. |  |
| b) | money market dealers make their most important trades. |  |
| c) | the Bank of Canada conducts its monetary policy. |  |
| d) | financial assets are traded for the first time. | + |
| e) | All of the above |  |
| **100.** | **The reason why the financial system entails some externalities is because** |  |
| a) | the incentives of the managers of financial institutions are, at times, in line with those of its shareholders, depositors, and society in general. |  |
| b) | they usually make very large profits. |  |
| c) | the incentives of the managers of financial institutions, at times, conflict with those of its shareholders, depositors, and society in general. | + |
| d) | if managed correctly, financial institutions will never be the source of externalities. |  |
| e) | None of the above |  |