|  |  |  |  |
| --- | --- | --- | --- |
| **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 | |  |