Texas A&M University - Corpus Christi

ECON3312 – Money and Banking
Mid-term 1 – Tuesday March 8th, 2016

What you'll need to know and example questions

Content

You'll need to know everything that we've done since the beginning of the course. The material in the test will include material from Chapters 1, 2, 3, 22, 4, 5, 6, and 8. Everything in these chapters, the contents of the assignments and the classes will be eligible for inclusion.

Exam format

You will require a scantron form for this exam.

The exam consists of 50 multiple choice questions, all of which are compulsory.

You will have 1 hour and 30 minutes to do the exam, so you will have just under 2 minutes to complete each question. You should bring both a pencil and eraser to the exam so you can erase anything that you realise is wrong. Calculators are permitted. The example questions below will all be used in the exam, perhaps modified.

Tips

Remember that exam technique matters! In multiple choice questions, please read through the possible responses to each question before choosing the correct answer - remember that in multiple choice exams you should choose the response that is most correct.

Office hours

Office hours will be held as usual on Thursday March 3rd. In addition I will be in my office on the afternoon of Monday March 7th from around 2pm to 4pm.

Example questions

I have supplied some sample questions for you to try while you are reviewing. Please see over.

<u>Examples</u>

<u>Multiple Choice Questions</u> All questions should be answered. Each counts for 2% towards the final mark.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) With _____ finance, borrowers obtain funds from lenders by selling them securities in the financial markets.   1) _____
    A) indirect   B) direct   C) determined   D) active

2) Which of the following is a depository institution?   2) _____
    A) A life insurance company   B) A pension fund
    C) A mutual fund   D) A credit union

3) Money is   3) _____
    A) a flow of earnings per unit of time.
    B) always based on a precious metal like gold or silver.
    C) the total collection of pieces of property that are a store of value.
    D) anything that is generally accepted in payment for goods and services or in the repayment of debt.

4) The demand for money as a cushion against unexpected contingencies is called the   4) _____
    A) speculative motive.   B) insurance motive.
    C) precautionary motive.   D) transactions motive.

5) The Keynesian demand for real balances can be expressed as   5) _____
    A) $M^d/P = f(Y)$.   B) $M^d/P = f(i,Y)$.   C) $M^d = f(i,Y)$.   D) $M^d/P = f(i)$.

6) Even economists have no single, precise definition of money because   6) _____
    A) money supply statistics are a state secret.
    B) economists find disagreement interesting and refuse to agree for ideological reasons.
    C) the "moneyness" or liquidity of an asset is a matter of degree.
    D) the Federal Reserve does not employ or report different measures of the money supply.

7) Which of the following is not included in the measure of M1?   7) _____
    A) Savings deposits.   B) Demand deposits.
    C) Currency.   D) NOW accounts.

8) The return on a 5 percent coupon bond that initially sells for $1,000 and sells for $950 next year is   8) _____
    A) 5 percent.   B) -10 percent.   C) 0 percent.   D) -5 percent.

9) The risk that interest payments will not be made, or that the face value of a bond is not repaid when a bond matures is   9) _____
    A) default risk.   B) moral hazard.
    C) interest rate risk.   D) inflation risk.

10) External financing by _____ should be more important in developing countries than in industrialized countries because information about private firms is more difficult to collect in developing countries.   10) _____
    A) bonds   B) financial intermediaries
    C) direct lending   D) stock

ANSWERS:

1) B
2) D
3) D
4) C
5) B
6) C
7) A
8) C
9) A
10) B