



**University of Benha- Faculty of Commerce**

**English Section**

**Money and Banking**

**chapter three**

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***Economics of Money, Banking, and Fin. Markets, 10e (Mishkin)***

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**Question 1: Give the suitable definitions of the following concepts:**

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1. Money “money supply.
2. Wealth.
3. Income.
4. Medium of Exchange.
5. Barter economy.
6. Double coincidence of wants.
7. Transaction cost.
8. Liquidity.
9. Hyperinflation.
10. Commodity Money.
11. Checks.
12. Debit card.
13. Stored-value card (smart card).
14. E-cash.
15. Monetary policy.

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**Question 2: Choose the correct answer:**

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1. To an economist, \_\_\_\_\_ is anything that is generally accepted in payment for goods and services or in the repayment of debt.  
A) wealth  
B) income  
C) money  
D) credit

2. A person's house is part of her
- A) money.
  - B) income.
  - C) liabilities.
  - D) wealth.
3. \_\_\_\_\_ is used to make purchases while \_\_\_\_\_ is the total collection of pieces of property that serve to store value.
- A) Money; income
  - B) Wealth; income
  - C) Income; money
  - D) Money; wealth
4. When we say that money is a stock variable, we mean that
- A) the quantity of money is measured at a given point in time.
  - B) we must attach a time period to the measure.
  - C) it is sold in the equity market.
  - D) money never loses purchasing power.
5. Of money's three functions, the one that distinguishes money from other assets is its function as a
- A) store of value.
  - B) unit of account.
  - C) standard of deferred payment.
  - D) medium of exchange.
6. \_\_\_\_\_ are the time and resources spent trying to exchange goods and services.
- A) Bargaining costs.
  - B) Transaction costs.
  - C) Contracting costs.
  - D) Barter costs.
7. The conversion of a barter economy to one that uses money
- A) increases efficiency by reducing the need to exchange goods and services.
  - B) increases efficiency by reducing the need to specialize.
  - C) increases efficiency by reducing transactions costs.
  - D) does not increase economic efficiency.
8. Which of the following statements best explains how the use of money in an economy increases economic efficiency?
- A) Money increases economic efficiency because it is costless to produce.
  - B) Money increases economic efficiency because it discourages specialization.
  - C) Money increases economic efficiency because it decreases transactions costs.
  - D) Money cannot have an effect on economic efficiency.

9. In a barter economy the number of prices in an economy with N goods is

- A)  $[N(N - 1)]/2$ .
- B)  $N(N/2)$ .
- C)  $2N$ .
- D)  $N(N/2) - 1$ .

10. Increasing transactions costs of selling an asset make the asset

- A) more valuable.
- B) more liquid.
- C) less liquid.
- D) more moneylike.

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**Question 3: correct the following false statements:**

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1. Currency includes paper money, coins, and checks.
2. The total collection of pieces of property that serve to store value is a person's credit.
3. Currency is a flow of earnings per unit of time.
4. Compared to an economy that uses a medium of exchange, in a barter economy liquidity costs are lower.
5. Whatever a society uses as money, the distinguishing characteristic is that it must contain gold.
6. When money prices are used to facilitate comparisons of value, money is said to function as a medium of exchange.
7. If there are four goods in a barter economy, then one needs to know 10 prices in order to exchange one good for another.
8. Ranking assets from most liquid to least liquid, the correct order is savings bonds; house; currency.
9. Paper currency that has been declared legal tender but is not convertible into coins or precious metals is called electronic money.
10. Compared to an electronic payments system, a payments system based on checks has the major drawback that checks are less costly to process.
11. Forms of e-money are a credit card, a stored-value card, and a smart card
12. M0 is the narrowest monetary aggregate that the central bank of Egypt reports.

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**Question 4: Answer the following short essay questions**

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- 1- What are monetary aggregates? Mention the two main monetary aggregates in Egypt?
- 2- If an individual moves money from currency to a demand deposit account, what is the effect on M1 and M2?