

Economics of Money & Banking

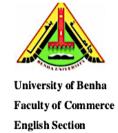
Course Code:

Economics E216

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1)	Financial markets promote economic efficiency by A. channeling funds from investors to savers. B. creating inflation. C. channeling funds from savers to investors. D. reducing investment.
2)	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
3)	Currency includes A) paper money and coins B) paper money, coins, and cheques C) paper money and cheques D) aper money, coins, cheques, and savings depos
4)5)	The total collection of pieces of property that serve to store value is a person's _ A) Wealth B) Income C) Money D) credit is used to make purchases while is the total collection of
	A. Money; income B. Wealth; income C. Income; money D. Money; wealth



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6)	is a flow of earnings per unit of time. A. Income B. Money C. Wealth D. CurrencyAnswer
7) A	n individual's annual salary is her
	A. MoneyB. IncomeC. WealthD. Liabilities
A. B. C.	we say that money is a stock variable, we mean that the quantity of money is measured at a given point in time we must attach a time period to the measure it is sold in the equity market money never loses purchasing power
A. B. C.	fference between money and income is that money is a flow and income is a stock money is a stock and income is a flow there is no difference—money and income are both stocks there is no difference—money and income are both flows
A. B. C.	I of the following statements uses the economists' definition of money? I plan to earn a lot of money over the summer. Betsy is rich—she has a lot of money. I hope that I have enough money to buy my lunch today. The job with New Company gave me the opportunity to earn more money.
A B. C.	commodity to function effectively as money it must be easily standardized, making it easy to ascertain its value difficult to make change deteriorate quickly so that its supply does not become too large hard to carry around



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14) are the time and resources spent trying to exchange goods and services. A. Bargaining costs B. Transaction costs C. Contracting costs D. Barter costs
A. transaction costs are higher B. transaction costs are lower C. liquidity costs are higher D. liquidity costs are lower
 16) When compared to exchange systems that rely on money, disadvantages of the barter system include A. the requirement of a double coincidence of wants B. owering the cost of exchanging goods over time C. lowering the cost of exchange to those who would specialize D. encouraging specialization and the division of labor
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
 18) 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.
19) Money transaction costs, allowing people to specialize in what they do best. A) reduces B) increases C) enhances D) eliminates



 20) Kevin purchasing concert tickets with his debit card is an example of the function of money. A) medium of exchange B) unit of account C) store of value D) specialization 	_
 21) When money prices are used to facilitate comparisons of value, money is said to function asa A) unit of account B) medium of exchange C) store of value D) payments-system ruler 	
22) A problem with barter exchange when there are many goods is that in a barter system A) transactions costs are minimized B) there exists a multiple number of prices for each good C) there is only one store of value D) exchange of services is impossible	-
23) 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	
 24) If there are five goods in a barter economy, one needs to know ten prices in order to exchange one good for another. If, however, there are ten goods in a barter economy, the one needs to know prices in order to exchange one good for another. A) 20 B) 25 C) 30 D) 45 	nen



25) Because it is a unit of account, money A) increases transaction costs B) reduces the number of prices that need to be calculated C) does not earn interest D) discourages specialization	
26) Dennis notices that jackets are on sale for \$99. In this case money is functioning as a	
A) medium of exchange B) unit of account C) store of value D) payments-system ruler	
27) As a store of value, money A) does not earn interest B) cannot be a durable asset C) must be currency D) is a way of saving for future purchase	
 28) Patrick places his pocket change into his savings bank on his desk each evening. By actions, Patrick indicates that he believes that money is a A) medium of exchange B) unit of account C) store of value D) unit of specialization 	his
 is the relative ease and speed with which an asset can be converted into a medium of exchange. A) Efficiency B) Liquidity C) Deflation D) Specialization 	l
28) Of the following assets, the least liquid is A) stocks B) travellers cheques C) chequing deposits D) a house	

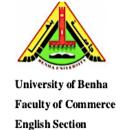


30) Ranking assets from most liquid to least liquid, the correct order is A) savings bonds; house; currency B) currency; savings bonds; house C) currency; house; savings bonds D) house; savings bonds; currency
 31) If the price level doubles, the value of money A) doubles B) more than doubles, due to scale economies C) rises but does not double, due to diminishing returns D) falls by half
32) A fall in the level of prices A) does not affect the value of money B) has an uncertain effect on the value of money C) increases the value of money D) reduces the value of money
33) A disadvantage of is that it can be very heavy and hard to transport from one placeto another. A) commodity money B) fiat money C) electronic money D) paper money
 34) Paper currency that has been declared legal tender but is not convertible into coins or precious metals is called money. A) commodity B) fiat C) electronic D) funny
 35) The evolution of the payments system from barter to precious metals, then to fiat money, then to cheques can best be understood as a consequence of the fact that A) paper is more costly to produce than precious metals B) precious metals were not generally acceptable C) precious metals were difficult to carry and transport D) paper money is less accepted than cheques

D. Mutual fund



 36) The evolution of the payments system from barter to precious metals, then to fiat money, ther to cheques can best be understood as a consequence of A) government regulations designed to improve the efficiency of the payments system B) government regulations designed to promote the safety of the payments system C) innovations that reduced the costs of exchanging goods and services D) competition among firms to make it easier for customers to purchase their products
 37) Compared to an electronic payments system, a payments system based on cheques has the major drawback that A) cheques are less costly to process B) cheques take longer to process, meaning that it may take several days before the depositor can get her cash C) fraud may be more difficult to commit when paper receipts are eliminated D) legal liability is more clearly defined
38) Which of the following sequences accurately describes the evolution of the payments system A) Barter, coins made of precious metals, paper currency, cheques, electronic funds transfers B) Barter, coins made of precious metals, cheques, paper currency, electronic funds transfers C) Barter, cheques, paper currency, coins made of precious metals, electronic funds transfers D) Barter, cheques, paper currency, electronic funds transfers
39) E-cash is used for payments A) that are always secure B) that are very important C) on the internet D) in any transaction
 40) An electronic payments system has not completely replaced the paper payments system because of all of the following reasons except A) expensive equipment is necessary to set up the system B) security concerns C) privacy concerns D) transportation costs
41) One of the type of deposit accounts with the commercial banks is
A. Share holdingB. Savings accountC. Gold



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- 42) One drawback of barter exchange is
 - A. Lack of trust
 - B. Lack of goods
 - C. Lack of double coincidence of wants
 - D. Lack of coincidence of wants
- 43) The nominal interest rate minus the expected rate of inflation defines the real interest rate.

is a less accurate measure of the incentives to borrow and lend than is the nominal interest rate. is a less accurate indicator of the tightness of credit market conditions than is the nominal interest rate.

defines the discount rate.

- 44) The narrow definition of money is based on
 - A. Medium of payment function
 - B. Cant' say
 - C. Store of value function
 - D. Transferability of money