



University of Benha
Faculty of Commerce
English Section
Dept. of Economics

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) The total collection of pieces of property that serve to store value is a person's _
 - A) Wealth
 - B) Income
 - C) Money
 - D) credit

- 5) _____ 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



- 6) _____ is a flow of earnings per unit of time.
- A. Income
 - B. Money
 - C. Wealth
 - D. Currency
- 7) An individual's annual salary is her _____.
- A. Money
 - B. Income
 - C. Wealth
 - D. Liabilities
- 8) 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
- 9) The difference between money and income is that _____.
- A. money is a flow and income is a stock
 - B. money is a stock and income is a flow
 - C. there is no difference—money and income are both stocks
 - D. there is no difference—money and income are both flows
- 10) Which of the following statements uses the economists' definition of money?
- A. I plan to earn a lot of money over the summer.
 - B. Betsy is rich—she has a lot of money.
 - C. I hope that I have enough money to buy my lunch today.
 - D. The job with New Company gave me the opportunity to earn more money.
- 11) For a commodity to function effectively as money it must be _____
- A. easily standardized, making it easy to ascertain its value
 - B. difficult to make change
 - C. deteriorate quickly so that its supply does not become too large
 - D. hard to carry around



- 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
- 15) Compared to an economy that uses a medium of exchange, in a barter economy _____.
- 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. lowering 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
- 17) 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
- 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



University of Benha
Faculty of Commerce
English Section
Dept. of Economics

- 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 as a _____.
- 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, then one needs to know _____ prices in order to exchange one good for another.
- A) 20
 - B) 25
 - C) 30
 - D) 45



- 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 his 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
- 29) _____ 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
- 28) Of the following assets, the least liquid is _____.
- A) stocks
 - B) travellers cheques
 - C) chequing deposits
 - D) a house



University of Benha
Faculty of Commerce
English Section
Dept. of Economics

- 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 place to 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



University of Benha
Faculty of Commerce
English Section
Dept. of Economics

- 36) 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 _____.
- 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 holding
 - B. Savings account
 - C. Gold
 - D. Mutual fund



University of Benha
Faculty of Commerce
English Section
Dept. of Economics

- 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