



## Försättsblad Prov Original

Kurskod	Provkod	Tentamensdatum
N A 0 0 4 G	1 0 0 0	2 0 1 8 - 1 1 - 1 5
Kursnamn	Nationalekonomi GR (C), Finansiella institutioner och Mar...	
Provnamn	Examination	
Ort	Sundsvall	
Termin	H18	
Ämne	Nationalekonomi	

# EXAM ECONOMICS C NA004G 2018-11-15

MODULE: MONEY, BANKING AND FINANCIAL MARKETS NA004G  
DELKURS: FINANSIELLA INSTITUTIONER OCH MARKNADER NA004G

Examiner: Barbro Widerstedt, tel 010-142 83 22

## INSTRUCTIONS

This exam consists of 8 pages, including this cover sheet. Make sure that all pages are in your handout.

The exam comprises three sections (1) 40 multiple-choice questions (20 p), (2) 5 definitions (10p) and (3) 2 essay questions (20p) for a total of 50 points. In order to get a passing grade (E or above), you need to get at least 25 points.

- Answer multiple-choice questions on the provided answer sheet (page 8 of the exam). The answer sheet should be detached from the exam before handed in. Mark the answer sheet with your anonymization code. *You may keep the rest of the exam when you leave the exam room.*
- Definitions should be answered on one sheet. Mark the answer sheet of with your anonymization code.
- Essay questions should be answered on a separate sheet of paper. Do not answer more than one question on each sheet. Mark each sheet of paper with your anonymization code.

Read the questions carefully. **You can choose to answer open questions in Swedish or in English.**

### INSTRUCTION FOR ESSAY QUESTIONS:

Your answers should be clear and legible. Keep your answers to the point and easy to follow. Long-winded answers with a complicated outline are difficult to follow and there is a high risk that you will contradict yourself. Generally 200-300 words (1-1½ page) is enough to answer the question if properly outlined.

Support graphical illustrations and mathematical formulas with an explanatory text where needed. Label axes in diagrams and explain abbreviations and symbols in illustrations and formulas.

Consider the outline of your answer. If answering the question requires an assumption not mentioned in the question, explicitly state your assumption. **Your ability to discuss as well as give a plain and systematic formulation of the problem are part of marking and grading your exam.**

## GRADING

Course grades are marked on the following scale

Betyg	A	B	C	D	E	F
Poäng	45-65	40-44	35-39	30-34	25-29	< 25p

The grade F constitutes a failing grade and requires a new examination.

Passing grades on quizzes and participations points (max 15p) will adjust your starting points.

## ALLOWED RESOURCES AND DEVICES

Dictionary, calculator

GOOD LUCK!

## SECTION 1: MULTIPLE CHOICE QUESTIONS

Answer the following Multiple choice questions on the provided answer sheet (page 8 of the exam).

Q#	Question text
1	Every financial market has the following characteristic. A) It allows common stock to be traded. B) It determines the level of interest rates. C) It allows loans to be made. D) It channels funds from lenders-savers to borrowers-spenders.
2	Financial markets improve economic welfare because A) they channel funds from investors to savers. B) they weed out inefficient firms. C) they eliminate the need for indirect finance. D) they allow consumers to time their purchase better.
3	The time and resources spent trying to exchange goods and services are examples of A) transaction costs B) barter costs C) bargaining costs D) contracting costs
4	Whatever a society uses as money, the distinguishing characteristic is that it must A) contain gold. B) be completely inflation proof. C) be produced by the government. D) be generally acceptable as payment for goods and services or in the repayment of debt.
5	What is the effect of recent financial innovation on Central Bank's job of conducting monetary policy A) It makes the job easier, since the Fed no longer knows what to consider money. B) It makes the job easier, since the Fed now knows what to consider money. C) It makes the job more difficult, since the Fed no longer knows what to consider money. D) It makes the job more difficult, since the Fed now knows what to consider money.
6	What happens to the present value of a payment if the date of the payment is pushed farther into the future? A) The present value increases. B) The present value decreases. C) It has no effect on the present value. D) It is irrelevant for the present value.
7	What is the present value of \$500.00 to be paid in two years if the interest rate is 5 percent? A) \$453.51 B) \$476.25 C) \$500.00 D) \$550.00
8	The payments to the owner plus the change in a security's value expressed as a fraction of the security's purchase price is known as the A) yield rate. B) rate of return. C) current yield. D) yield to maturity.

Q# Question text

- 9 Which interest rate reflects the true cost of borrowing most accurately?
- A) The real interest rate.
  - B) The discount rate.
  - C) The market interest rate.
  - D) The nominal interest rate.

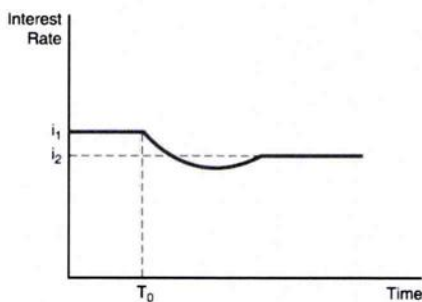
- 10 During business cycle expansions when income and wealth are rising, the demand for bonds \_\_\_\_\_ and the demand curve shifts to the \_\_\_\_\_, everything else held constant.
- A) rises; left
  - B) falls; right
  - C) rises; right
  - D) falls; left

- 11 When the interest rate changes,
- A) the demand curve for bonds shifts to the left.
  - B) the supply curve for bonds shifts to the right.
  - C) the demand curve for bonds shifts to the right.
  - D) it is because either the demand or the supply curve has shifted.

- 12 In Keynes's liquidity preference framework
- A) an excess demand of bonds implies an excess demand for money.
  - B) an excess supply of bonds implies an excess demand for money.
  - C) the demand for money must equal the supply of bonds.
  - D) the demand for bonds must equal the supply of money.

- 13 The opportunity cost of holding money is
- A) the price level.
  - B) the discount rate.
  - C) the interest rate.
  - D) the level of income.

- 14 If there is an excess supply of money
- A) individuals sell bonds, causing the interest rate to fall.
  - B) individuals buy bonds, causing interest rates to rise.
  - C) individuals sell bonds, causing the interest rate to rise.
  - D) individuals buy bonds, causing interest rates to fall.



- 15 The figure above illustrates the effect of an increased rate of money supply growth at time period  $T_0$ . From the figure, one can conclude that the
- A) liquidity effect is smaller than the expected inflation effect and interest rates adjust slowly to changes in expected inflation.
  - B) liquidity effect is larger than the expected inflation effect and interest rates adjust quickly to changes in expected inflation.
  - C) liquidity effect is smaller than the expected inflation effect and interest rates adjust quickly to changes in expected inflation.
  - D) liquidity effect is larger than the expected inflation effect and interest rates adjust slowly to changes in expected inflation.

Q#	Question text
16	<p>The risk structure of interest rates is</p> <ul style="list-style-type: none"> <li>A) the relationship among interest rates on bonds with different maturities.</li> <li>B) the relationship among interest rates of different bonds with the same maturity.</li> <li>C) the relationship among the term to maturity of different bonds.</li> <li>D) the structure of how interest rates move over time.</li> </ul>
17	<p>Why are interest rates on Treasury securities not all the same?</p> <ul style="list-style-type: none"> <li>A) They have different times to maturity.</li> <li>B) They carry different risk.</li> <li>C) They have differing tax characteristics.</li> <li>D) They have differences in liquidity.</li> </ul>
18	<p>A change in perceived risk of a stock changes</p> <ul style="list-style-type: none"> <li>A) the expected dividend growth rate.</li> <li>B) the required rate of return.</li> <li>C) the current dividend.</li> <li>D) the expected sales price.</li> </ul>
19	<p>The view that expectations change relatively slowly over time in response to new information is known in economics as</p> <ul style="list-style-type: none"> <li>A) rational expectations.</li> <li>B) slow-response expectations.</li> <li>C) adaptive expectations.</li> <li>D) irrational expectations.</li> </ul>
20	<p>People have a strong incentive to form rational expectations because</p> <ul style="list-style-type: none"> <li>A) it is costly to do so.</li> <li>B) they are guaranteed of success in the stock market.</li> <li>C) everyone wants to be rational.</li> <li>D) it is costly not to do so.</li> </ul>
21	<p>Evidence in support of the efficient markets hypothesis includes</p> <ul style="list-style-type: none"> <li>A) the small-firm effect.</li> <li>B) excessive volatility.</li> <li>C) the January effect.</li> <li>D) the failure of technical analysis to outperform the market.</li> </ul>
22	<p>A borrower who takes out a loan usually has better information about the potential returns and risk of the investment projects he plans to undertake than does the lender. This inequality of information is called</p> <ul style="list-style-type: none"> <li>A) moral hazard.</li> <li>B) asymmetric information.</li> <li>C) adverse selection.</li> <li>D) noncollateralized risk.</li> </ul>
23	<p>The free-rider problem occurs because</p> <ul style="list-style-type: none"> <li>A) it is never profitable to produce information.</li> <li>B) people who pay for information use it freely.</li> <li>C) information can never be sold at any price.</li> <li>D) people who do not pay for information use it.</li> </ul>
24	<p>That only large, well-established corporations have access to securities markets</p> <ul style="list-style-type: none"> <li>A) can be explained by government regulations that prohibit small firms from acquiring funds in securities markets.</li> <li>B) explains why newer and smaller corporations rely so heavily on the new issues market for funds.</li> <li>C) explains why indirect finance is such an important source of external funds for businesses.</li> <li>D) can be explained by the problem of moral hazard.</li> </ul>









