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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Financial assets include which of the following?

|  |  |  |
| --- | --- | --- |
|   | a.  | Money, credit cards, and bonds |
|   | b.  | Money, bonds, and stocks |
|   | c.  | Credit cards, bonds, and stocks |
|   | d.  | Savings accounts, money, and debit cards |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. Financial markets bring together \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | households; banks |
|   | b.  | firms; households |
|   | c.  | borrowers; lenders |
|   | d.  | lenders; savers |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. Jenny has had a portion of stock in an e-commerce company for some time. She is ready to resell her stock. In what market would she do this?

|  |  |  |
| --- | --- | --- |
|   | a.  | After market |
|   | b.  | Resale market |
|   | c.  | Secondary market |
|   | d.  | Liquidity market |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. Some of the most important central banks in the world include

|  |  |  |
| --- | --- | --- |
|   | a.  | the People's Bank of China, the European Central Bank, and the Federal Reserve. |
|   | b.  | the Deutsche Bundesbank, the People's Bank of China, and the Federal Reserve. |
|   | c.  | the People's Bank of China, the Federal Reserve, and the Bank of England. |
|   | d.  | the Federal Reserve, the European Central Bank, and the Bank of England. |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. Which of these entities are part of the so-called shadow banking industry?

|  |  |  |
| --- | --- | --- |
|   | a.  | Insurance companies, credit review companies,  and investment banks |
|   | b.  | Finance companies, mutual funds, and insurance companies |
|   | c.  | Savings and loan associations, large corporations, and mutual funds |
|   | d.  | Savings and loan associations, credit unions, and credit review companies |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. Which of these statements most fully expresses why it is crucial to understand the basics of finance and economics?

|  |  |  |
| --- | --- | --- |
|   | a.  | Failure to understand and implement sound financial practices can lead to personal bankruptcy. |
|   | b.  | Failure to understand and implement sound financial practices led to the global financial crisis that started in 2008. |
|   | c.  | Failure to understand and implement sound financial practices can lead to both personal and global financial collapse.  |
|   | d.  | Failure to understand and implement sound financial practices can lead to the failure of start-up companies and personal bankruptcy.  |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. Which of these most accurately defines possible effects of fluctuating interest rates in the financial markets?

|  |  |  |
| --- | --- | --- |
|   | a.  | Inflation |
|   | b.  | Prices and levels of employment |
|   | c.  | The rate of saving |
|   | d.  | Risk levels |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. Commercial banks face competition from a variety of institutions, including

|  |  |  |
| --- | --- | --- |
|   | a.  | central banks, private equity companies, and finance companies. |
|   | b.  | government, central banks, and investment banks. |
|   | c.  | mutual funds, investment banks, and private equity partnerships.  |
|   | d.  | government, finance companies, and mutual funds. |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. Financial assets include intangibles that can change in value, such as stocks and bonds.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- |
| 10. In financial markets, what is meant by the term liquidity?

|  |  |
| --- | --- |
| *ANSWER:* | Liquidity is the ease with which a financial asset can be converted into another financial asset, in particular money, the most liquid of all financial assets. |

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