

## Finance 2<sup>nd</sup> quiz March 2<sup>nd</sup> (in class)

Name:

1. Most American investors who are interested in investing in companies listed on foreign exchanges do so by purchasing \_\_\_\_\_.
  - a. Foreign stocks directly from brokers that do business in the country where the company is located.
  - b. Foreign stocks from brokers in the United States.
  - c. American Depository Receipts (ADRs) or mutual funds that hold international stocks.
  - d. Stocks directly from the foreign company.
  - e. None of the above.
  
2. If you purchase stock from a firm conducting a seasoned equity offering, this transaction will take place in \_\_\_\_ markets and \_\_\_\_ markets.
  - a. capital; primary
  - b. capital; secondary
  - c. money; primary
  - d. money; secondary
  
3. Which of the following assets are traded in the derivative markets?
  - a. Stocks, bonds, and options
  - b. Stocks, futures, and options
  - c. Options, futures, and swaps
  - d. Futures, bonds, and swaps
  
4. The derivatives market allows for
  - a. investors to speculate on price movements.
  - b. the purchase corporate debt.
  - c. the hedging of exposure to price movements
  - d. two of the above
  - e. all of the above
  
5. Which of the following is not an asset of a bank?
  - a. business deposits
  - b. consumer loans
  - c. deposits in other banks
  - d. government securities
  - e. All of the above are bank assets.
  
6. The asset of Federal Reserve banks associated with open market operations is
  - a. Federal Reserve notes.
  - b. U.S. government securities.
  - c. loans to member banks.

- d. float.
- e. None of the above.

7. The primary responsibility of the Federal Open Market Committee (FOMC) is to

- a. establish a level and growth of the money supply through open market operations to produce a stable economic environment.
- b. supervise the examination of state member banks.
- c. change the reserve requirements of banks.
- d. determine the level of Federal Reserve notes allowed in circulation.
- e. None of the above.

8. The primary tools of the Federal Reserve monetary policy include all of the following except

- a. changing the discount rates.
- b. open market operations.
- c. changes in reserve requirements.
- d. changes in the Federal Funds rate.
- e. All of the above are monetary policy tools used by the Fed.

9. Suppose the reserve requirement for transaction deposits is 10% and it is 5% for nontransaction deposits. What is the total reserve requirement for a bank with total deposits equal to \$800 million, if \$600 million of these deposits are classified as transaction deposits?

10. monetary policy refers to the strategies employed by a central bank with regard to the amount of money circulating in the economy. Under stock market crash, what kinds of monetary policies will you recommend? State at least two types of monetary policy with a brief description.