

1. Two financial assets, A and B, differ only in their risk and profitability. What is the most likely situation?
- (a) If A is riskier than B, then B will be more profitable than A.
 - (b) If B is not more profitable than A, then B is not riskier than A.
 - (c) If B is less profitable than A, then A will not be riskier than B.
 - (d) If A is less profitable than B, then the central bank conducts a contractionary open market operation to lower the interest rate, the money multiplier goes up, the liquidity rate goes down, the demand for liquidity function shifts to the left, the number of banks is reduced and the government issues T-bills to increase **M0**.
2. The supply of liquidity function has shifted to the left and the demand for liquidity function has shifted to the right. The most likely possible explanation is that
- (a) foreign banks have been given permission to operate in the economy and, at the same time, a contractionary open market operation has been executed.
 - (b) households have decided to buy massive amounts of financial assets and, simultaneously, the government has issued a large number of T-bills.
 - (c) the central bank has conducted a contractionary open market operation and, expecting a future important increase in the interest rate, households and firms have anticipated the purchase of goods.
 - (d) None of the above

3. Which option lists, possibly in addition to other concepts, exactly one monetary policy tool, exactly two financial assets and exactly one monetary aggregate?
- (a) T-bills, **M0**, central bank, the interest rate on the deposit facility, loans, liquidity ratio, deposits.
 - (b) Money multiplier, **M1**, T-bills, €2 coins, open market operation, reserve requirements, demand for liquidity function, number of banks.
 - (c) Liquidity ratio, money multiplier, risk of a financial asset, loans to consumers, loans to firms, standing facilities.
 - (d) None of the above
4. What could not explain that the interest rate does not remain constant?
- (a) A contractionary open market operation conducted at the same as the reserve requirements are reduced to zero.
 - (b) An expansionary open market operation conducted at the same as the government massively issues T-bills.
 - (c) The number of banks decreases and, simultaneously, corporations issue financial assets (corporate bonds, for instance) to finance new investment projects.
 - (d) None of the above
5. Select the option in which the first concept listed is not directly related to each of the next three concepts.
- (a) Financial asset, liquidity, profitability, risk.
 - (b) Central bank, standing facility, open market operation, reserve requirements.
 - (c) **M1**, money multiplier, **M0**, maturity of a T-bill.
 - (d) Demand for liquidity function, interest rate, households, government.



Every question has a unique correct answer
Write your answers in only one of the following tables

Use Table 1 if you give at most one answer to each question
 Use Table 2 if you want to give two answers to some question

No answer: +0 · Correct answer: +1 · Incorrect answer: -1/3

Table 1

1	2	3	4	5

No answer: +0 · Only one answer: if correct, +1; if incorrect, -1/3.
Two answers: if one correct, +1/2; if none correct, -1/2.

Table 2

1	2	3	4	5