Choose a category.

True or False: Interest rates can be accurately described as the rental price of money.

A country whose financial markets function poorly is likely to:

- increase its standard of living.
- enjoy high productivity.
- efficiently allocate its capital resources.
- experience economic hardship and financial crises.

True!
A country whose financial markets function poorly is likely to:

d) experience economic hardship and financial crises.

Bonds that are sold in a foreign country and are denominated in a currency other than that of the country in which they are sold are known as:

a) foreign bonds.
b) Eurodollars.
c) Eurocurrencies.
d) Eurobonds.

True or False: Unless a bond defaults, an investor cannot lose money investing in bonds.

False!

A $10,000, 8 percent coupon bond that sells for $10,000 has a yield to maturity of:

a) 6 percent
b) 8 percent
c) 10 percent
d) 12 percent
e) Not enough information
A $10,000, 8 percent coupon bond that sells for $10,000 has a yield to maturity of:

b) 8 percent

If a $10,000 face value discount bond maturing in one year is selling for $8,000, then its yield to maturity is:
a) 10%
b) 20%
c) 25%
d) 40%

c) 25%

True or False: When interest rates decrease, the demand curve for bonds shifts to the left.

False!

When the demand for bonds increases or the supply of bonds decreases, interest rates rise.
a) increases; decreases
b) decreases; decreases
c) increases; increases
d) decreases; increases
When the demand for bonds decreases or the supply of bonds increases, interest rate rise.

d) decreases; increases

When the inflation rate is expected to increase, the real cost of borrowing declines at any given interest rate; as a result, the ________ bonds increases and the ________ curve shifts to the right.

a) supply of; supply
b) supply of; demand
c) demand for; demand
d) demand for; supply

True or False: Evidence that stock prices sometimes fall when a firm announces good news contradicts the efficient market hypothesis.

False!

Which of the following long-term bonds should have the lowest interest rate?

a) Corporate Aaa bonds
b) Corporate Baa bonds
c) Municipal bonds
d) U.S. Treasury bonds
Which of the following long-term bonds should have the lowest interest rate?

- c) Municipal bonds

I. If a corporate bond becomes less liquid, the interest rate on the bond will fall.
II. If a corporate bond becomes less liquid, the interest rate on Treasury bonds will fall.

- a) (I) is true, (II) false.
- b) (I) is false, (II) true.
- c) Both are true.
- d) Both are false.

True or False: The FOMC is an element of the Federal Reserve System.

- True!

Each Fed bank president attends FOMC meetings; although only ________ Fed bank presidents vote on policy, all ________ provide input.

- a) three; ten
- b) three; twelve
- c) five; ten
- d) five; twelve
Each Fed bank president attends FOMC meetings; although only _________ Fed bank presidents vote on policy, all _________ provide input.

*d) five; twelve*

If the Federal Reserve wants to lower the monetary base and the money supply, it will:

a) increase bank reserves.
b) sell government securities.
c) lower the discount rate.
d) lower reserve requirements.
e) Both (b) and (c) are true