Essay on international financial market

Economics, Financial Markets

International Financial Markets and Institutions Practice Test Paper Trimester One 2013 (15 Macs for practice) The actual test consists of 40 Multiple Choice Questions (You have one hour and 10 minutes to complete the actual test). 1. Financial markets and Institutions affect the profits of businesses. Affect the types of goods and services produced In an economy. C. Involve the movement of huge quantities ofmoney. D. All of the above. 2. A. B. C. 3. Financial market activities affect pending decisions by individuals and firms. He economy's location in the business cycle. Personal wealth. The bond markets are important because they are markets where Interest rates are determined. They are markets where foreign exchange rates are determined. C. They are easily the most widely followed financial market In the United States. D. All of the above. 4. Typically, Increasing Interest rates encourages corporate borrowing. Discourages individuals from saving. Encourages corporate expansion. 5. Every financial market performs the following function:

It channels funds from lenders-savers to borrowers-spenders. It determines the level of interest rates. It allows loans to be made. It allows common stock to be traded. 6. Financial markets have the basic function of Bringing together people with funds to lend and people who want to borrow funds. Assuring that governments never need to print money. Both A and B above. Both B and C above. 7. Which of the following can be described as involving directfinance? A. A pension fund manager buys commercial paper in the secondary market. B. People buy shares in a mutual fund.

An insurance company buys shares of common stock in the over-the-counter markets. None of the above. 8. A country whose financial markets function

poorly is likely to experience hardship and financial crises. Enjoy high productivity. Increase its standard of living. Efficiently allocate its capital resources. 9. A bond's future payments are called its maturity values. Yields to maturity. Cash flows. Discounted present values. 10. As the price of a bond and the expected return bonds become more attractive to investors and the quantity demanded rises. A. Alls; rises alls; falls rises; falls rises; rises 11. The supply curve for bonds has the usual upward slope, indicating that as the price , criteria Paramus, the increases. Rises; quantity supplied rises; supply falls; quantity supplied falls; supply 2 13. When the price of a bond is above the equilibrium price, there is excess bond market and the price will demand; rise demand; fall supply; rise supply; fall in the How expectations are formed is important because expectations influence A. The demand for assets. Bond prices. The risk structure of interest rates. 14.

According to the efficient markets hypothesis, the current price of a financial security is the discounted net present value of future interest payments. B. Is determined by the highest successful bidder. Fully reflects all available relevant information. Is a result of none of the above. 15. When asset prices fall in a boom, moral hazard may increase in companies that have lost net worth in the bust. B. Financial institutions may see the assets on their balance sheets deteriorate, leading to delivering. Both A and B are correct. None of the above are correct.