4. Financial Sector

Starter Quiz · 课前小测

AP Macroeconomics   Name: ____________   Score: ______

1. A bond is:
   - ☐ a loan that pays fixed interest and returns the principal
   - ☐ a share of ownership in a company
   - ☐ cash in a bank
   - ☐ a tax
2. The Fisher equation says the real interest rate approximately equals:
   - ☐ the nominal rate minus expected inflation
   - ☐ the nominal rate plus inflation
   - ☐ inflation minus the nominal rate
   - ☐ the nominal rate times inflation
3. Money used to pay for goods, avoiding barter, is acting as a:
   - ☐ medium of exchange
   - ☐ store of value
   - ☐ unit of account
   - ☐ commodity
4. The fraction of deposits a bank must keep rather than lend is the ________ ratio.

   ____
5. The demand for money slopes downward against the interest rate because:
   - ☐ the interest rate is the opportunity cost of holding cash
   - ☐ cash pays high interest
   - ☐ the government sets it
   - ☐ money is free
6. Expansionary monetary policy, used to fight a recession:
   - ☐ raises the money supply and lowers interest rates
   - ☐ lowers the money supply and raises interest rates
   - ☐ raises taxes
   - ☐ does nothing

7. A loan has a nominal rate of 6% and inflation turns out to be 5%. What is the real interest rate, in percent?

   ________________ percent
8. Select **all** three functions of money.
   - ☐ medium of exchange
   - ☐ store of value
   - ☐ unit of account
   - ☐ source of pollution

   Tick every correct option.
9. The loanable funds market sets the ________ interest rate.

   ____
10. A bond pays 50 a year and its price falls to 500. What is its yield, in percent?

    ________________ percent

AP Macroeconomics

1. **a loan that pays fixed interest and returns the principal**

   A bond is a loan; a stock is ownership; a deposit is money in a bank.

2. **the nominal rate minus expected inflation**

   Real ≈ nominal − expected inflation — inflation is subtracted out.

3. **medium of exchange**

   Accepting money in payment is the medium-of-exchange function.

4. **reserve**

   The reserve ratio sets how much banks keep; the rest is lent out.

5. **the interest rate is the opportunity cost of holding cash**

   When rates are high, holding cash costs more, so people hold less and buy bonds.

6. **raises the money supply and lowers interest rates**

   More money and lower rates spur borrowing and spending, shifting AD right.

7. **1 percent**

   Real rate $= 6 - 5 = 1\%$.

8. **medium of exchange; store of value; unit of account**

   Money is a medium of exchange, a store of value and a unit of account.

9. **real**

   It sets the real rate for borrowing and lending over time.

10. **10 percent**

    Yield $= 50 \div 500 \times 100 = 10\%$.