

## Money and Banking

### 單選題 (每題 4 分)

- The conversion of a barter economy to one that uses money increases efficiency by reducing
  - the need to exchange goods.
  - the need to specialize.
  - the need to employ team production methods.
  - transactions costs.
- Although not a unique store of value, people find money a convenient store of value because
  - it does not decline in value when prices rise.
  - its value remains fixed to the price level ; that is, if prices double so does the value of money.
  - it is the most liquid asset.
  - of all of the above.
  - of none of the above.
- The \_\_\_\_\_ is a better approximation for the \_\_\_\_\_, the nearer the bond's price is to the bond's par value and the longer the maturity of the bond
  - current yield ; yield to maturity
  - current yield ; coupon rate
  - yield to maturity ; current yield
  - yield to maturity ; coupon rate
- When real income increases, the demand curve for money shifts to the \_\_\_\_\_ and the interest rate \_\_\_\_\_.
  - right ; rises
  - right ; fall
  - left ; falls
  - left ; rises
- The risk premium on corporate bonds becomes smaller if
  - the riskiness of corporate bonds increase.
  - the liquidity of corporate bonds increase.
  - the liquidity of corporate bonds decreases.
  - the riskiness of corporate bonds decreases.

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經濟學系

7 月 26 日 第三節

(第 2 頁共 5 頁)

貨幣銀行學試題

(限用答案本作答)

- e. both (b) and (d) occur.
6. According to the preferred habitat theory of the term structure, a slightly upward sloping yield curve indicates that
- short-term interest rates are expected to rise in the future.
  - short-term interest rates are expected to remain unchanged in the future.
  - short-term interest rates are expected to decline moderately in the future.
  - short-term interest rates are expected to decline sharply in the future.
7. According to the interest parity condition, the domestic interest rate is equal to
- the foreign interest rate plus the expected appreciation of the domestic currency.
  - the foreign interest rate less the expected appreciation of the domestic currency.
  - the foreign interest rate less the expected depreciation of the domestic currency.
  - the foreign interest rate less the expected depreciation of the domestic currency weighted by the domestic interest rate.
8. A decrease in the domestic interest rate shifts the expected return schedule for domestic deposits to the \_\_\_\_ and causes the domestic currency to depreciate.
- right
  - left
  - right
  - left
9. Banks face the problem of \_\_\_\_ in loan markets because bad credit risks are the ones most likely to seek bank loans.
- adverse selection
  - moral hazard
  - moral suasion
  - intentional fraud
10. If the required reserve ratio is equal to 20 percent, a single bank can increase its loans up to a maximum amount equal to
- 5 times its excess reserves
  - 2.5 times its excess reserves
  - its excess reserves
  - 20 percent of its excess reserves
11. A simple deposit multiplier equal to four implies a required reserve ratio equal to

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經濟學系

7 月 26 日第三節

(第 3 頁共 5 頁)

貨幣銀行學試題

(限用答案本作答)

- a. 100 percent
  - b. 50 percent
  - c. 25 percent
  - d. 0 percent
12. The money multiplier is smaller than the simple deposit multiplier when
- a. the excess reserves ratio is zero.
  - b. the currency-checkable deposit ratio is zero.
  - c. the excess reserves ratio is greater than zero.
  - d. only (a) and (b) of the above are true.
13. Other things equal, rising market interest rates encourage banks to
- a. increase discount borrowings from the Central Bank.
  - b. hold more excess reserves.
  - c. hold fewer excess reserves.
  - d. do both (a) and (b) of the above.
  - e. do both (a) and (c) of the above.
14. The money supply is \_\_\_\_ related to excess reserves ratio, and is \_\_\_\_ related to the currency ratio.
- a. negatively ; negatively
  - b. negatively ; positively
  - c. positively ; negatively
  - d. positively ; positively
15. Discount policy affects the money supply by affecting the volume of \_\_\_\_ and the \_\_\_\_ .
- a. excess reserves ; monetary base
  - b. discount loans ; monetary base
  - c. excess reserves ; money multiplier
  - d. discount loans ; money multiplier
16. Keynes's liquidity preference theory indicates that the demand for money
- a. is purely a function of income, and interest rates have no effect on the demand for money.
  - b. is purely a function of interest rates, and income has no effect on the demand for money.
  - c. is both a function of income and interest rates.

銘傳大學 95 學年度轉學生招生考試

經濟學系

7 月 26 日第三節

(第 4 頁共 5 頁)

貨幣銀行學試題

(限用答案本作答)

- d. is both a function of government spending and income.
17. The expenditure multiplier is the ratio of
- the change in equilibrium output to a change in the monetary base.
  - the change in the money supply to a change in the monetary base.
  - the change in the money supply to a change in the autonomous expenditure.
  - the change in equilibrium output to a change in the autonomous expenditure.
18. If the economy is on the IS curve, but is to the right of the LM curve, aggregate output will \_\_\_\_\_ and the interest rate will \_\_\_\_\_ .
- rise ; rise
  - rise ; fall
  - fall ; rise
  - fall ; fall
19. In the IS-LM framework, an expansionary monetary policy will cause aggregate output to \_\_\_\_\_ and the interest rate to \_\_\_\_\_ .
- increase ; increase
  - increase ; decrease
  - decrease ; decrease
  - decrease ; increase
20. The LM curve will be vertical and fiscal policy ineffective when
- the demand for money is unaffected by changes in the interest rate.
  - the demand for money is unaffected by changes in the income.
  - investment is unaffected by changes in the interest rate.
  - investment is unaffected by changes in the income.
21. If the \_\_\_\_\_ curve is more unstable than the \_\_\_\_\_ curve, an interest rate target is preferred.
- IS ; IS
  - IS ; LM
  - LM ; IS
  - LM ; LM
22. An autonomous rise in \_\_\_\_\_ (not caused by a change in the price level, aggregate output, or the interest rate) shifts the \_\_\_\_\_ curve to the \_\_\_\_\_ .
- net exports ; LM ; right

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經濟學系

7 月 26 日第三節

(第 5 頁共 5 頁)

貨幣銀行學試題

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- b. net exports ; LM ; left
  - c. money demand ; IS ; right
  - d. money demand ; LM ; left
23. According to the monetarists an increase in the money supply, other things equal, will shift the aggregate \_\_\_\_\_ curve to the \_\_\_\_\_.
- a. demand; right
  - b. demand; left
  - c. supply; left
  - d. supply; right
24. Keynesians believe that
- a. the aggregate demand curve is downward-sloping.
  - b. a change in the quantity of money causes the aggregate demand curve to shift.
  - c. changes in government spending and taxes cause the aggregate demand curve to shift.
  - d. all of the above.
  - e. only (a) and (b) of the above.
25. While the initial effect of a \_\_\_\_\_ shift in the aggregate \_\_\_\_\_ curve is a rise in both the price level and the output, the ultimate effect is only a rise in the price level.
- a. leftward; supply
  - b. leftward; demand
  - c. rightward; supply
  - d. rightward; demand

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