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**State** Finished

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**Time taken** 28 mins 22 secs

**Grade** 12.00 out of 28.00 (42.86%)

Question **1**

Correct

Mark 12.00 out of 12.00

In a modern closed economy with a two-tier banking system, the economy is dominated by two commercial banks with a market share of 60%-40% (meaning that any spending on average ends up in the banks in this proportion). There is no difference between the customers of the two banks in terms of cash holding habits; on average, everyone holds 10% of their total money in cash. Both banks currently hold reserves at a 5% level, which must never fall below this threshold, otherwise the banking system would face disruptions. The banks have refinancing loans, which they aim to minimize. The state sells 852 forints worth of government bonds to the larger bank and spends the entire amount.

What is the change in the refinancing loan stock of the larger bank?

Answer:  ✓

The correct answer is: 414.92

Question **2**

Incorrect

Mark 0.00 out of 8.00

A modern closed economy with a two-tier banking system can be described by the Rosier model. At the beginning of 2020, the ratio of total outstanding loans to the money stock is 39 to 1. The interest rate is 8%, loans are one-period in duration, and there are no defaults. Over the course of the year, income transfers from banks to non-bank entities amount to 4% of the outstanding loans at the beginning of the year. What is the **minimum percentage increase** in the stock of outstanding loans during 2020 **required to prevent a general crisis** in the economy?

Answer:  ✗

The correct answer is: 1.44

Question **3**

Incorrect

Mark 0.00 out of 8.00

In a market economy with one-period depreciation, we disregard banks and households (i.e., banks operate at 0% interest and without costs, and households always spend their entire income). Of every amount spent by firms, 20% is investment, and the rest is costs. It is known that in period 1, firms spent 1539 forints.

What is the minimum amount of money that must be spent into the economy in period 2 for firms to realize a profit of  $100 \times 0.15\%$  (relative to costs)?

Answer:  ✖

The correct answer is: 4424.62

Jump to...

Final exam MACRO\_TEST 06\_06 10:30-10:58 ►