Quiz (chapter 16) Results

ⓘ Correct answers will be available on Mar 27 at 12am.

Score for this quiz: **11** out of 13
Submitted Mar 24 at 5:49pm
This attempt took 15 minutes.

Question 1

1 / 1 pts

You pay for cheese and bread from the deli with currency. Which function of money does this best illustrate?

- (selected) medium of exchange
- unit of account
- store of value
- liquidity

Question 2

1 / 1 pts

Mia puts money into a piggy bank so she can spend it later. What function of money does this illustrate?

- (selected) store of value
- medium of exchange
- unit of account

None of the above is correct.

Question 3

1 / 1 pts

The “yardstick” people use to post prices and record debts is called

- a medium of exchange.
- a unit of account.
- a store of value.
- liquidity.

Question 4

1 / 1 pts

Table 29-2. The information in the table pertains to an imaginary economy.

Type of Money	Amount
Large time deposits	$120 billion
Small time deposits	$80 billion
Demand deposits	$300 billion
Other checkable deposits	$50 billion
Savings deposits	$65 billion
Traveler's checks	$5 billion
Money market mutual funds	$200 billion
Currency	$150 billion
Credit card balances	$300 billion
Miscellaneous categories of M2	$30 billion

Refer to Table 29-2. What is the M1 money supply?

- ○ $705 billion
- ○ $570 billion
- ◉ $505 billion
- ○ $585 billion

Question 5

1 / 1 pts

Table 29-2. The information in the table pertains to an imaginary economy.

Type of Money	**Amount**
Large time deposits	$120 billion
Small time deposits	$80 billion
Demand deposits	$300 billion
Other checkable deposits	$50 billion
Savings deposits	$65 billion
Traveler's checks	$5 billion
Money market mutual funds	$200 billion
Currency	$150 billion
Credit card balances	$300 billion
Miscellaneous categories of M2	$30 billion

Refer to Table 29-2. What is the M2 money supply?

- ○ $1,300 billion
- ○ $580 billion
- ◉ $880 billion

$1,000 billion

Question 6

1 / 1 pts

Table 29-6.

Bank of Pleasantville

Assets		Liabilities	
Reserves	$3,000	Deposits	$50,000
Loans	47,000		

Refer to Table 29-6. From the table it follows that the Bank of Pleasantville operates in a

- fractional-reserve banking system, since its reserves are less than its deposits.
- fractional-reserve banking system, since its reserves are less than its loans.
- 100-percent-reserve banking system, since its assets are equal to its liabilities.

100-percent-reserve banking system if the Fed's reserve requirement is 10 percent; otherwise, it operates in a fractional-reserve banking system.

Incorrect

Question 7

0 / 1 pts

Table 29-6.

Bank of Pleasantville

Assets		Liabilities	
Reserves	$3,000	Deposits	$50,000
Loans	47,000		

Refer to Table 29-6. The Bank of Pleasantville's reserve ratio is

- 6.4 percent.
- 16.7 percent.
- 6.0 percent.
- 15.7 percent.

Incorrect

Question 8

0 / 1 pts

Table 29-6.

Bank of Pleasantville

Assets		Liabilities	
Reserves	$3,000	Deposits	$50,000
Loans	47,000		

Refer to Table 29-6. Assume there is a reserve requirement and the Bank of Pleasantville is exactly in compliance with that requirement. Assume the same is true for all other banks. Lastly, assume people hold only deposits and no currency. What is the money multiplier?

- (selected) 6
- 16.7
- 15.6
- 6.4

Question 9

1 / 1 pts

Table 29-6.

Bank of Pleasantville

Assets		Liabilities	
Reserves	$3,000	Deposits	$50,000
Loans	47,000		

Refer to Table 29-6. If the Fed's reserve requirement is 5 percent, then what quantity of excess reserves does the Bank of Pleasantville now hold?

- (selected) $500
- $250
- $2,000
- $3,600

Question 10

1 / 1 pts

Table 29-6.

Bank of Pleasantville

Assets		Liabilities	
Reserves	$3,000	Deposits	$50,000
Loans	47,000		

Refer to Table 29-6. Assume the Fed's reserve requirement is 5 percent and all banks besides the Bank of Pleasantville are exactly in compliance with the 5 percent requirement. Further assume that people hold only deposits and no currency. Starting from the situation as depicted by the T-account, if the Bank of Pleasantville decides to make new loans so as to end up with no excess reserves, then by how much does the money supply eventually increase?

- $10,833.33.
- $13,000.
- $8,333.33.
- (selected) $10,000.

Question 11

1 / 1 pts

When conducting an open-market sale, the Fed

- buys government bonds, and in so doing increases the money supply.
- buys government bonds, and in so doing decreases the money supply.
- sells government bonds, and in so doing increases the money supply.
- (selected) sells government bonds, and in so doing decreases the money supply.

Question 12

1 / 1 pts

When conducting an open-market purchase, the Fed

- [x] buys government bonds, and in so doing increases the money supply.
- [ ] buys government bonds, and in so doing decreases the money supply.
- [ ] sells government bonds, and in so doing increases the money supply.
- [ ] sells government bonds, and in so doing decreases the money supply.

Question 13

1 / 1 pts

The rate at which the Fed lends money to banks is

- [ ] the prime rate.
- [ ] fixed at 4%.
- [ ] the federal funds rate.

◉ the discount rate.

Quiz Score: **11** out of 13