



Money and Banking Final Review

Instructions (Incomplete)

- ☑ Definition of financial system, and functions of financial system¹.
- ☑ Definition of money, function of money, and measurement of money.
- ☑ Definition of *yield to maturity*, face value, coupon rate, trade price/present value, future value, and how to calculate yield to maturity with a conventional bond information.
- ☑ risk structure and term structure of interest rates, three theoretical interpretations of three empirical facts of term structure interest rates: (1) expectation theory, (2) market segmentation theory, and (3) liquidity premium theory.
- ☑ Definition of *asymmetric information*, *adverse selection*, and *moral hazard*. How adverse selection and moral hazard collapse the financial market activities? How *financial intermediaries* provide some solutions to address asymmetric information problem.
- ☑ balance sheet of commercial banks, asset management, liquidity management, liability management, and bank solvency vs return on equity.
- ☑ why banks are so fragile? *deposit insurance* is designed to stop bank run in some cases, but cannot stop all (why?).
- ☑ *lender of last resort* of central bank. why the role of lender of last resort to address *prisoner dilemma* in bank run?
- ☑ *monetary multiplier* derivation, i.e., how to get $m = \frac{1+c}{c+er+rr}$. why money supply is a *public-private partnership*?
- ☑ *supply and demand analysis* of interbank market. The effect of *open market operations*, *discount lending*, and *required reserve ratio* on interest rate of interbank market.
- ☑ *transmission channels of monetary policy*, e.g., interest rate channel, asset price channel, bank lending channel, and balance sheet channel.

¹Be noted that this instruction is not question list, not guarantees you that all of those checked box are covered in your final.