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| 1. Financial assets include which of the following?   |  |  |  | | --- | --- | --- | |  | a. | Money, credit cards, and bonds | |  | b. | Money, bonds, and stocks | |  | c. | Credit cards, bonds, and stocks | |  | d. | Savings accounts, money, and debit cards |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 2. Financial markets bring together \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | households; banks | |  | b. | firms; households | |  | c. | borrowers; lenders | |  | d. | lenders; savers |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 3. Jenny has had a portion of stock in an e-commerce company for some time. She is ready to resell her stock. In what market would she do this?   |  |  |  | | --- | --- | --- | |  | a. | After market | |  | b. | Resale market | |  | c. | Secondary market | |  | d. | Liquidity market |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 4. Some of the most important central banks in the world include   |  |  |  | | --- | --- | --- | |  | a. | the People's Bank of China, the European Central Bank, and the Federal Reserve. | |  | b. | the Deutsche Bundesbank, the People's Bank of China, and the Federal Reserve. | |  | c. | the People's Bank of China, the Federal Reserve, and the Bank of England. | |  | d. | the Federal Reserve, the European Central Bank, and the Bank of England. |  |  |  | | --- | --- | | *ANSWER:* | d | |

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| 5. Which of these entities are part of the so-called shadow banking industry?   |  |  |  | | --- | --- | --- | |  | a. | Insurance companies, credit review companies,  and investment banks | |  | b. | Finance companies, mutual funds, and insurance companies | |  | c. | Savings and loan associations, large corporations, and mutual funds | |  | d. | Savings and loan associations, credit unions, and credit review companies |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 6. Which of these statements most fully expresses why it is crucial to understand the basics of finance and economics?   |  |  |  | | --- | --- | --- | |  | a. | Failure to understand and implement sound financial practices can lead to personal bankruptcy. | |  | b. | Failure to understand and implement sound financial practices led to the global financial crisis that started in 2008. | |  | c. | Failure to understand and implement sound financial practices can lead to both personal and global financial collapse. | |  | d. | Failure to understand and implement sound financial practices can lead to the failure of start-up companies and personal bankruptcy. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 7. Which of these most accurately defines possible effects of fluctuating interest rates in the financial markets?   |  |  |  | | --- | --- | --- | |  | a. | Inflation | |  | b. | Prices and levels of employment | |  | c. | The rate of saving | |  | d. | Risk levels |  |  |  | | --- | --- | | *ANSWER:* | b | |

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| 8. Commercial banks face competition from a variety of institutions, including   |  |  |  | | --- | --- | --- | |  | a. | central banks, private equity companies, and finance companies. | |  | b. | government, central banks, and investment banks. | |  | c. | mutual funds, investment banks, and private equity partnerships. | |  | d. | government, finance companies, and mutual funds. |  |  |  | | --- | --- | | *ANSWER:* | c | |

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| 9. Financial assets include intangibles that can change in value, such as stocks and bonds.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

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| 10. In financial markets, what is meant by the term liquidity?   |  |  | | --- | --- | | *ANSWER:* | Liquidity is the ease with which a financial asset can be converted into another financial asset, in particular money, the most liquid of all financial assets. | |