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Question No : 1 of 60 Marks: 1 (Budgeted Time 1 Min)

Wealth can be held in number of other forms but we use to hold money because of which one of the following reason?

Answer (Please select your correct option)

- It is the only mode of payment
- It is an asset
- It is most liquid
- It is the only store of value

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Question No : 2 of 60 Marks: 1 (Budgeted Time 1 Min)

In order to understand the link among money, inflation and economic growth. We need to measure which of the following?

Answer (Please select your correct option)

- Quantity of money
- Volume of demand deposits
- Inflation rates
- Interest rates

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Question No : 3 of 60 Marks: 1 (Budgeted Time 1 Min)

The loans made between borrowers and lenders:

Answer (Please select your correct option)

- Are liabilities to the lenders and assets to the borrowers since the borrower obtains the funds
- Are assets to the lenders and liabilities of the borrowers since the promises are made to the lenders
- Are assets to the borrowers as he obtains funds and also the liability to the borrowers as he has to pay it
- Are not part of either's assets or liabilities until the loans are repaid

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Question No : 4 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following statements is **NOT** correct?

Answer (Please select your correct option)

- Banks are financial intermediaries
- Financial intermediary involves in giving loan and accepting deposit
- All financial intermediaries are insurance companies
- Financial intermediaries increase the efficiency of the economy

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Question No : 5 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is **NOT** a function of financial markets?

Answer (Please select your correct option)

- Relaying and reacting information
- Used as a mean of payment
- Allocating resources
- Setting prices

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Question No : 6 of 60 **Marks: 1 (Budgeted Time 1 Min)**

The future value of \$100 left in a savings account earning 4.5% for two and a half years is best expressed by:

Answer (Please select your correct option)

- $\$100(1.045)^{3/2}$
- $\$100(0.45)^{2.5}$
- $\$100(1.045)^{2.5}$
- $100 \times 2.5 \times (1.045)$

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- Question No : 7 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Which one of the following is the procedure of finding out the Present Value (PV)?
- Answer (Please select your correct option)
- Options:
 - Discounting
 - Compounding
 - Time value of money
 - Bond pricing
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Question No : 8 of 60 Marks: 1 (Budgeted Time 1 Min)

What will be the effect on the present value if we double the future value of the payment?

Answer (Please select your correct option)

- It will decrease the value by one-half
- It will increase the value by one-half
- It will equally increase the value i.e. doubles the value
- It will have no effect on the value

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Question No : 9 of 60 Marks: 1 (Budgeted Time 1 Min)

The real interest rate is:

Answer (Please select your correct option)

- The nominal rate plus the expected inflation rate
- The nominal rate minus the expected inflation rate
- The nominal interest rate divided by the Consumer Price Index
- The product of the nominal rate and the Consumer Price Index

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- Question No : 10 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question text: "Given a choice between two investments with the same expected payoff"
- Answer section: "Answer (Please select your correct option)"
- Four radio button options:
 - Most people will select the one with the highest variance
 - Most people will opt for the one with the higher standard deviation
 - Most people will be indifferent since the expected payoffs are the same
 - Most people will choose the one with the lower standard deviation
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- Question No : 11 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Mr. Ali has a bond, which is issued by local government of Punjab which is *NOT* true for situation?
- Answer (Please select your correct option)
- Options:
 - He faces tax affects on return on bond
 - His bond can also be named as municipal bond
 - He receive interest on that bond throughout life period of bond
 - Default risk affects its return on bond
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Question No : 12 of 60 Marks: 1 (Budgeted Time 1 Min)

Expectation hypothesis focuses on which one of the following?

Answer (Please select your correct option)

- Risk premium
- Risk free interest rate
- Yield to maturity
- None of the given options

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Question No : 13 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is a role of a financial institution acting as a financial intermediary?

Answer (Please select your correct option)

- Pooling the resources of small savers
- Formulating oversight regulations
- Sending out free calendars at the holidays
- Lobbying legislators

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- Question No : 14 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question text: _____ is a component of the liability side of the commercial bank's balance sheet.
- Answer (Please select your correct option)
- Options:
 - Deposits
 - Loans
 - Securities
 - All of the given options
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- Question No : 15 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: The procedure that estimates the interest rate sensitivity of a bank's assets and liabilities is called _____.
- Answer (Please select your correct option)
- Options:
 - Managing credit risk
 - Gap analysis
 - Trading risk minimization
 - Managing liquidity risk
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Question No : 16 of 60 Marks: 1 (Budgeted Time 1 Min)

Pooling of small savings to provide loans is a function of which of the following institution?

Answer (Please select your correct option)

- Insurance company
- Depository Institutions (Bank)
- Investment Bank
- Securities firm

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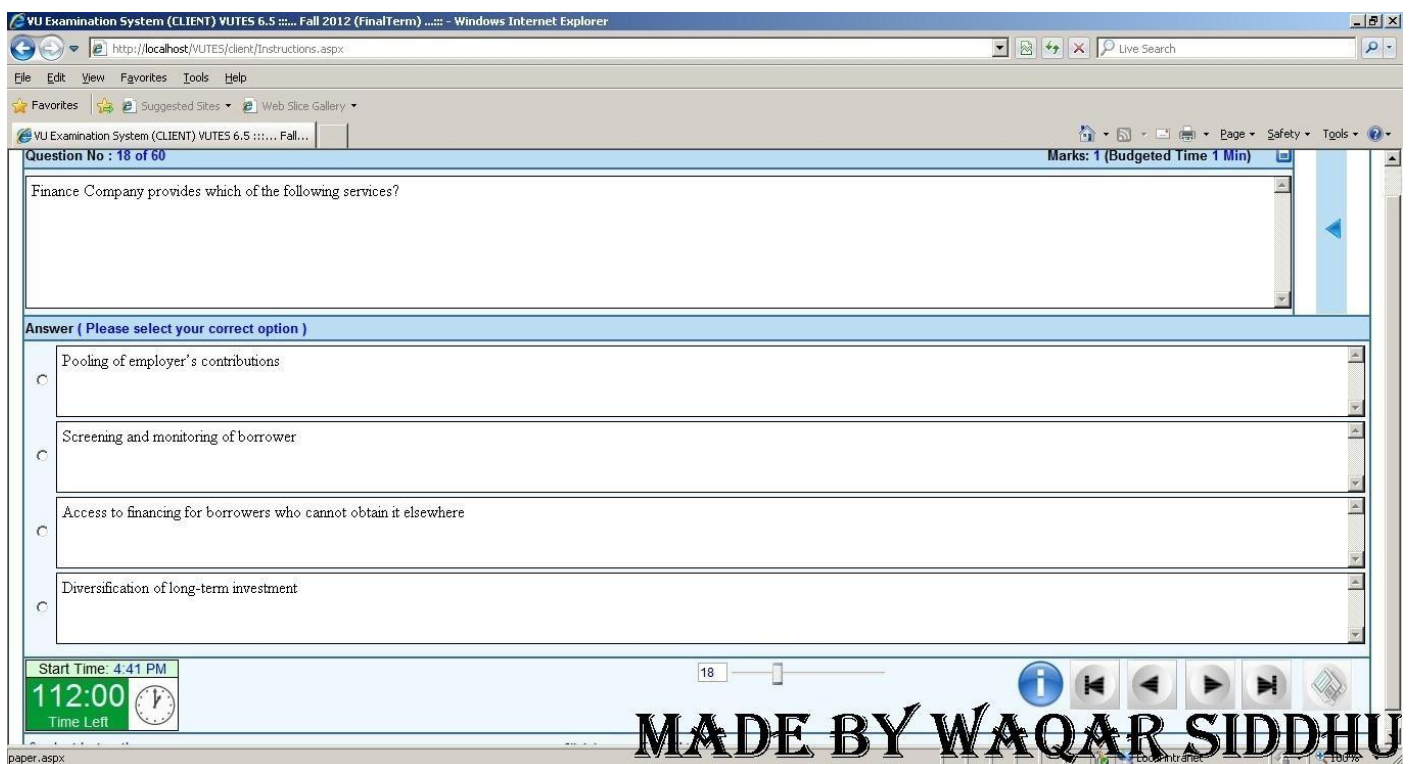
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- Question No : 17 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Which of the following is the primary source of funds for Depository institutions?
- Answer (Please select your correct option)
- Options:
 - Short term loans
 - Shares sold to customers
 - Savings and time deposits
 - Commercial papers
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- Question No : 18 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Finance Company provides which of the following services?
- Answer (Please select your correct option)
- Four radio button options:
 - Pooling of employer's contributions
 - Screening and monitoring of borrower
 - Access to financing for borrowers who cannot obtain it elsewhere
 - Diversification of long-term investment
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- Question No : 19 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question text: "Financial regulations restrict the assets that banks can own". Which one of the following provides the reason for that ?
- Answer section: "Answer (Please select your correct option)"
- Four radio button options:
 - Because it limits the growth rate of banks
 - Because it combats the moral hazard that government safety nets provide
 - Because it prevents banks from being too profitable
 - Because it keeps banks from spending lavishly on perks for executives
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Question No : 20 of 60 Marks: 1 (Budgeted Time 1 Min)

Which one of the following is the supreme regulatory authority for banking sector in Pakistan?

Answer (Please select your correct option)

Muslim commercial bank (MCB)

State bank of Pakistan (SBP)

Habib bank limited (HBL)

National bank of Pakistan (NBP)

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- Question No : 21 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question text: "The specific goals of central banks include all of the following EXCEPT:"
- Answer options:
 - High and stable real growth
 - Low and stable inflation
 - High levels of imports
 - Low and stable unemployment rates
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Question No : 22 of 60 Marks: 1 (Budgeted Time 1 Min)

Which one of the following is a primary policy tool of the Central Bank?

Answer (Please select your correct option)

- Inflation rate
- Open market operations
- Interest rate
- Money supply

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- Question No : 23 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Inflation can be thought of as which of the following?
- Answer (Please select your correct option)
- Options:
 - A decrease in the price of money
 - An increase in the price of money
 - No change in the price of money, just in the supply of money
 - No change in the price of money, just in the demand for money
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Question No : 24 of 60 Marks: 1 (Budgeted Time 1 Min)

Excess reserve-to-deposit ratio is a factor that affects the quantity of money. This factor is controlled by which of the following?

Answer (Please select your correct option)

- Central bank
- Bank regulators
- Commercial banks
- Non bank public

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- Question No : 25 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: "What kind of relationship is there between rate of inflation and aggregate demand?"
- Answer section with the instruction: "Answer (Please select your correct option)"
- Four radio button options:
 - Positive relationship
 - Negative relationship
 - Direct relationship
 - Strong relationship
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Question No : 26 of 60 Marks: 1 (Budgeted Time 1 Min)

Aggregate demand curve slopes down because of many reasons which of the following is **NOT** the reason of its downward slope?

Answer (Please select your correct option)

- Higher inflation increases real money balances
- Higher inflation induces policymakers to raise the real interest rate
- Rising inflation also reduces wealth
- Rising inflation lowers consumption

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- Question No : 27 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Which of the following will shift the Aggregate Demand curve to the right?
- Answer (Please select your correct option)
- Options:
 - A decrease in autonomous money demand
 - An increase in Exports
 - An increase in potential output
 - An increase in Government purchases
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- Question No : 28 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Which of the following has created an opportunity for small investors to participate in economic activity?
- Answer (Please select your correct option)
- Options:
 - Mutual funds
 - Small corporations
 - Stock brokers
 - Small investors cannot take part in economic activity
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Question No : 29 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following could be used as the measure of profitability?

Answer (Please select your correct option)

- Net profit after tax
- Net profit before tax
- Net interest income
- None of the given options

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Question No : 30 of 60 Marks: 1 (Budgeted Time 1 Min)

The two sides of the bank's balance sheet often do not match up this phenomena creates interest rate risk. How?

Answer (Please select your correct option)

- There is interest-rate risk because liabilities tend to be long term while assets tend to be short term
- There is interest-rate risk because liabilities tend to be short term while assets tend to be long term
- There is interest-rate risk because both the liabilities assets tend to be long term
- There is interest-rate risk because both the liabilities assets tend to be short term

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- Question No : 31 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: What is the impact of growth of international banking?
- Answer (Please select your correct option)
- Options:
 - It increase the competition in the banking market
 - It increase the efficiency of banking market
 - Profits are harder to come as borrowers and depositors have more options
 - All of the given options
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- Question No : 32 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question text: _____ risk arises from the fact that some foreign borrowers may not repay their loans, not because they are willing to, but because their govt. prohibit them from doing so.
- Answer (Please select your correct option)
- Options:
 - Foreign exchange risk
 - Sovereign risk
 - Interest-rate risk
 - Trading risk
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- Question No : 33 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Which of the following are not under the control of a central bank?
- Answer (Please select your correct option)
- Options:
 - Govt. budget
 - Fiscal policy
 - Securities market
 - All of the given options
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- Question No : 34 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Which of the following is NOT a function of the Central Bank?
- Answer (Please select your correct option)
- Options:
 - Conduct economic research
 - Regulate brokers and insurance companies
 - Evaluate bank mergers
 - These are all functions of the fed.
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- Question No : 35 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question text: "Difference between _____ and required reserve is the excess reserves."
- Answer section: "Answer (Please select your correct option)"
- Options:
 - Deposits
 - Securities
 - Currency
 - Reserve
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Question No : 36 of 60 Marks: 1 (Budgeted Time 1 Min)

If we label the quantity of money M and the monetary base MB , the money multiplier m is defined by which of the following relationship?

Answer (Please select your correct option)

- $M = m \times MB$
- $M = m / MB$
- $M = m - MB$
- $M = m + MB$

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The screenshot shows a web browser window titled "VU Examination System (CLIENT) VUTES 6.5 Fall 2012 (FinalTerm) - Windows Internet Explorer". The address bar shows "http://localhost/VUTES/client/Instructions.aspx". The page content includes:

Question No : 37 of 60 Marks: 1 (Budgeted Time 1 Min)

If the monetary base increases, holding bank and public behavior constant, the quantity of money _____.

Answer (Please select your correct option)

- Decreases
- Increases
- Remains constant
- Incomplete information

Start Time: 4:41 PM
112:00 Time Left

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http://localhost/VUTES/client/Instructions.aspx

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VU Examination System (CLIENT) VUTES 6.5 Fall...

Question No : 38 of 60 Marks: 1 (Budgeted Time 1 Min)

_____ the nominal interest rate, the less money individuals will hold for a given level of transactions, and higher the velocity of money.

Answer (Please select your correct option)

- Lower
- Higher
- Stable
- Incomplete information

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Question No : 39 of 60 Marks: 1 (Budgeted Time 1 Min)

The lower the cost of shifting money between accounts, the lower the money holdings and the _____ the velocity.

Answer (Please select your correct option)

- Lower
- Higher
- Stable
- Incomplete information

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- Question No : 40 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Which of the following is/are NOT the determinant(s) of money demand that cause individuals to hold more money?
- Answer (Please select your correct option)
- Options:
 - National income
 - Interest rate
 - Availability of alternative means of payment
 - Velocity of money
- Start Time: 4:41 PM
- Time Left: 112:00
- Page number: 40
- Navigation buttons: info, back, forward, search, print

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- Question No : 41 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question text: "Portfolio demand for money goes up as the riskiness of the alternative _____"
- Answer options (Please select your correct option):
 - Falls
 - Rises
 - Remain stable
 - Cannot be determined
- Start Time: 4:41 PM
- Time Left: 112:00
- Page number: 41
- Navigation buttons: back, forward, search, etc.

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- Question No : 42 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question text: "Real money balances fall at higher levels of inflation, resulting in a lower level of aggregate demand, the aggregate demand curve is _____."
- Answer options (radio buttons):
 - Vertical
 - Horizontal
 - Upward sloping
 - Downward sloping
- Start Time: 4:41 PM
- Time Left: 112:00
- Page number: 42
- Navigation icons: info, back, forward, search, print

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Question No : 43 of 60 Marks: 1 (Budgeted Time 1 Min)

The monetary policy reaction curve is set so that when current inflation equals target inflation, the _____ equals the long-run real interest rate.

Answer (Please select your correct option)

- Real interest rate
- Nominal interest rate
- Effective interest rate
- None of the given options

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- Question No : 44 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: "If inflation remains steady over shorter periods, while real output adjusts, what will be its effect on the short run aggregate supply curve at the current level of inflation?"
- Answer (Please select your correct option)
- Four radio button options:
 - Aggregate supply curve must be steep
 - Aggregate supply curve must be flat
 - Aggregate supply curve must be downward sloping
 - Aggregate supply curve must be upward sloping
- Start Time: 4:41 PM
- Time Left: 112:00
- Page number: 44
- Navigation icons: info, back, forward, search, print

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VU Examination System (CLIENT) VUTES 6.5 Fall...

Question No : 45 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following reason(s) can shift the short run aggregate supply curve?

Answer (Please select your correct option)

- Deviation of current output from potential output
- Changes in external factors driving production costs
- When current output is equal to potential out put
- Deviation of current output from potential output and Changes in external factors driving production costs

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Question No : 46 of 60 Marks: 1 (Budgeted Time 1 Min)

When current output falls below potential output, creating a recessionary output gap, what will be position of short run aggregate supply curve?

Answer (Please select your correct option)

- Aggregate supply curve will shift upward
- Aggregate supply curve will shift downward
- Aggregate supply curve will shift towards right
- Aggregate supply curve will shift towards left

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Question No : 47 of 60 **Marks: 1 (Budgeted Time 1 Min)**

Inflation falls and output rises until the economy returns to the point where current output _____ potential output and inflation equals the central bank's target.

Answer (Please select your correct option)

- Equals
- Greater than
- Lower than
- Incomplete information

At the bottom left, a timer shows "Start Time: 4:41 PM" and "112:00 Time Left". At the bottom right, there are navigation icons and a watermark that reads "MADE BY WAQAR SIDDHU".

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Question No : 48 of 60 Marks: 1 (Budgeted Time 1 Min)

Real business cycle theorists explain recessions and booms by looking at fluctuations in _____, focusing on changes in productivity and their impact on GDP.

Answer (Please select your correct option)

- Target output
- Potential output
- Target inflation
- Potential inflation

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Question No : 49 of 60 Marks: 1 (Budgeted Time 1 Min)

If the tax rate is higher then the gap between yield on taxable and tax exempt bond will be:

Answer (Please select your correct option)

- No gap
- Any thing can be possible
- Shorter
- Wider

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- Question No : 50 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: How a bank can operate in other country?
- Answer (Please select your correct option)
- Four radio button options:
 - By opening a local branch
 - By offering same services as in home country
 - By engaging in local banking transaction
 - Purchasing a minority interest in a foreign bank
- Start Time: 4:41 PM
- Time Left: 112:00
- Page number: 50
- Navigation icons: info, back, forward, search, print

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- Question No : 51 of 60
- Marks: 1 (Budgeted Time 1 Min)
- Question: Which of the following are the primary uses of funds of depository institution?
- Answer (Please select your correct option)
- Options:
 - Cash, loans, securities
 - Corporate bonds, government bonds, stocks
 - Commercial paper, bonds, mortgages
 - Mortgages, consumer loans, business loans
- Start Time: 4:41 PM
- Time Left: 112:00
- Page number: 51
- Navigation buttons: info, back, forward, search, print

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VU Examination System (CLIENT) VUTES 6.5 Fall...

Question No : 52 of 60 Marks: 1 (Budgeted Time 1 Min)

Which of the following is NOT pursued by a central bank?

Answer (Please select your correct option)

- Low and stable inflation
- High and stable real growth
- High interest rates
- Stable exchange rates

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Question No : 53 of 60 Marks: 3 (Budgeted Time 6 Min)

Describe the role of Central bank as "The Bankers Bank".

Answer (Please click here to Add Answer)

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- Question No : 54 of 60
- Marks: 3 (Budgeted Time 6 Min)
- Question: "What are the factors on which the size of money multiplier depends?"
- Answer field: "Answer (Please click here to Add Answer)" with a rich text editor toolbar.
- Start Time: 4:41 PM
- Time Left: 112:00
- Page number: 54
- Navigation buttons: back, forward, search, etc.
- Footer: "Conduct Instructions" and "Click here to..."

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- Question No : 55 of 60
- Marks: 3 (Budgeted Time 6 Min)
- Question: Why the aggregate demand curve slopes down?
- Answer (Please click here to Add Answer)
- A rich text editor with a toolbar containing icons for bold, italic, underline, and other text formatting options.
- Start Time: 4:41 PM
- Time Left: 112:00
- Page number: 55
- Navigation buttons: back, forward, search, and print.
- Watermark: **MADE BY WAQAR SIDDHU**

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http://localhost/VUTES/client/Instructions.aspx

File Edit View Favorites Tools Help

VU Examination System (CLIENT) VUTES 6.5 Fall...

Question No : 56 of 60 Marks: 5 (Budgeted Time 10 Min)

Give brief explanation of the following.
What is reserve requiremnet?
How is it controlled?
What is its impact on economy?

Answer (Please click here to Add Answer)

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Conduct Instructions

Click here to

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VU Examination System (CLIENT) VUTES 6.5 Fall...

Question No : 57 of 60 Marks: 5 (Budgeted Time 10 Min)

What do you know about credit risk? How it can be managed?

Answer (Please click here to Add Answer)

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VU Examination System (CLIENT) VUTES 6.5 Fall...

Question No : 58 of 60 Marks: 5 (Budgeted Time 10 Min)

What is the effect of a positive inflation shock on short-run equilibrium?

Answer (Please click here to Add Answer)

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112:00 Time Left

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- Question No : 59 of 60
- Marks: 5 (Budgeted Time 10 Min)
- Question text: "Find out YTM of 1 year 9% coupon bond selling at Rs. 90. (Face value of bond = Rs. 100)"
- Answer section: "Answer (Please click here to Add Answer)" with a rich text editor.
- Bottom status bar: "Start Time: 4:41 PM", "112:00 Time Left", and "59" (question number).

At the bottom of the screenshot, there is a watermark that reads "MADE BY WAQAR SIDDHU".

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Question No : 60 of 60 Marks: 5 (Budgeted Time 10 Min)

Write down the day to day jobs of a central bank.

Answer (Please click here to Add Answer)

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