

Macroeconomics

Money Market Review

1. Explain the three functions of money.
2. Identify and define the various measures of money supply: M-1, M-2, M-3, and monetary base.
3. Explain money demand, particularly what affects the transaction and asset motives.
4. Explain the difference between the real and nominal interest rate.
5. Explain the assumptions, and how changes in money supply affect output under the Quantity Theory of Money.

6. Given a graph, find the equilibrium money supply.
7. Given a graph, find the equilibrium interest rate.
8. Given a graph, determine consequences of a change in money supply, money demand, or interest rate.
9. Explain the yield curve and the theories that predict shape.
10. Explain how risk and inflation impact interest rates.

11. Describe the economic/financial functions of the banking system.
12. Explain Fractional Reserve Banking, disintermediation, duration, and interest margin.
13. List the functions of the Federal Reserve Bank.
14. Describe how the FDIC operates, particularly premiums, payments, and trust fund.
15. Explain effects on monetary policy by monetary policy instruments.

16. Calculate actual (legal) reserves.
17. Calculate excess (free) reserves.
18. Calculate required reserves and capital requirements.
19. Calculate deposits.
20. Calculate money multiplier including effects of leakages or injections.

21. Explain the relationship between a financial asset and financial liability.
22. Describe the characteristics of major financial instruments.
23. Explain an auction market using bid, ask, and spread.
24. Explain the types and roles of various financial intermediaries.
25. Identify the major issuers of credit. Explain what determines supply and demand of credit.

26. Explain the relationship between Present Value and Future Value.
27. Explain value, risk, return, and their relationship.
28. Explain cash flow patterns and annuities.
29. Explain stock pricing.
30. Explain bond pricing.