

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) The four players in the money supply process include
 - A) banks, depositors, borrowers, and the U.S. Treasury.
 - B) banks, depositors, the central bank, and borrowers.
 - C) banks, depositors, the central bank, and the U.S. Treasury.
 - D) banks, borrowers, the central bank, and the U.S. Treasury.

- 2) Federal reserve assets include
 - A) government securities.
 - B) discount loans.
 - C) currency in circulation.
 - D) all of the above.
 - E) both A and B of the above.

- 3) Both _____ and _____ are Federal Reserve assets.
 - A) government securities; bank reserves
 - B) currency in circulation; discount loans
 - C) discount loans; bank reserves
 - D) currency in circulation; government securities
 - E) government securities; discount loans

- 4) The monetary base consists of
 - A) reserves and government securities.
 - B) currency in circulation and Federal Reserve notes.
 - C) currency in circulation and discount loans.
 - D) currency in circulation and government securities.
 - E) currency in circulation and reserves.

- 5) The sum of vault cash and bank deposits at Federal Reserve banks is called
 - A) reserves.
 - B) the money supply.
 - C) discount loans.
 - D) the monetary base.

- 6) By making discount loans
 - A) the Fed increases its assets.
 - B) the Fed earns interest income.
 - C) the Fed provides reserves to the banking system.
 - D) all of the above.
 - E) both A and B of the above.

- 7) The interest rate the Fed charges banks borrowing from the Fed is the
 - A) Treasury bill rate.
 - B) federal funds rate.
 - C) discount rate.
 - D) prime rate.
 - E) mortgage rate.

Answer Key

Testname: CHAPTER 15 PQ.TST

- 1) B
- 2) E
- 3) E
- 4) E
- 5) A
- 6) D
- 7) C
- 8) B
- 9) C
- 10) B
- 11) B
- 12) A
- 13) B
- 14) D
- 15) A
- 16) A
- 17) A