

1. Which option is not false?
 - (a) The money multiplier is not affected by changes in the reserve ratio.
 - (b) That **M0** is smaller than **M1** is equivalent to deposits **D** being equal to reserves **R**.
 - (c) The only financial institution involved in the **M1** creation process is the central bank, which creates reserves and, simultaneously, makes loans to consumers and firms.
 - (d) None of the above

2. Suppose that deposits are three times reserves and that cash in the hands of the public equals deposits. Then the money multiplier is
 - (a) smaller than 1.75.
 - (b) larger than 2.5.
 - (c) cannot be calculated.
 - (d) None of the above

3. In which option either all the terms correspond to financial assets or no term designates a financial asset?
 - (a) T-bills, **M0**, loans, liquidity ratio
 - (b) Money multiplier, **M1**, T-bills, €2 coins
 - (c) Liquidity ratio, money multiplier, central bank
 - (d) Reserve ratio, reserves, deposits, banknotes

4. According to the sequence of events describing the money (**M1**) creation process
 - (a) the sellers' revenues create the buyers' expenditures, deposits create reserves and deposits do not create loans.
 - (b) the central bank raises the money multiplier, banks lower the liquidity ratio, buyers make loans to sellers and the central bank purchases T-bills.
 - (c) loans create expenditure, expenditure creates revenue, revenue creates deposits, deposits create the liquidity ratio, the liquidity ratio creates the reserve ratio, the reserve ratio creates the money multiplier and the money multiplier creates **M1**.
 - (d) None of the above

5. Which option specifies exactly one monetary aggregate and at least two variables or concepts that are not monetary aggregates?
 - (a) **M0**, deposits, number of banks, reserve ratio, **M1**
 - (b) Liquidity ratio, central bank, T-bills, money multiplier, **M0**
 - (c) Money multiplier, reserve ratio, liquidity ratio
 - (d) **M2**, banknotes, central bank money, loans, **M3**



Every question has a unique correct answer
Write your answers in only one of the following tables

Use Table 1 if you give at most one answer to each question

Use Table 2 if you give two answers to some question

No answer: +0 · Correct answer: +1 · Incorrect answer: -1/3

Table 1

1	2	3	4	5

No answer: +0 · Only one answer: if correct, +1; if incorrect, -1/3.

Two answers: if one correct, +1/2; if none correct, -1/2.

Table 2

1	2	3	4	5