

**EXAM: Financial markets and institutions**  
**University of Trieste - January-February (1)**

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*Choose clearly the only right answer for each question. Correct answers are worth 1 point, blanks 0 and a -1 penalty is earned for every two mistakes. The exam is passed with a final score of at least 10. The grade will not be affected by this result.*

- 1** Consider the following exchange rates: 2 \$/€, 0.25 £/\$, 0.5 £/€. Therefore:  
[ a ] the exchange rates are in equilibrium  
[ b ] the \$ is too weak than it should be  
[ c ] the £ is too weak than it should be
- 2** If inflation falls, considering a loan:  
[ a ] this favors the creditor  
[ b ] this favor neither the creditor nor the debtor  
[ c ] this favors the debtor
- 3** The most important tool for central banks is:  
[ a ] reserve requirements  
[ b ] discount loans  
[ c ] open market transactions
- 4** If tariffs are introduced in a country, its currency:  
[ a ] is unaffected  
[ b ] depreciates  
[ c ] appreciates
- 5** With a repurchase agreement, the lender obtains:  
[ a ] effects similar to a swap between currencies  
[ b ] effects similar to a loan, but with the additional collateral of the underlying bonds  
[ c ] effects similar to an option to resell the underlying bonds at a future date
- 6** Securities issued as part of a securitization:  
[ a ] may have different maturities and ratings than the average of the reference asset pool  
[ b ] must have maturities equal to the average of the reference asset pool  
[ c ] must have ratings equal to the average of the reference asset pool
- 7** If you own a stock and you buy call option on it:  
[ a ] you neither gain nor lose if the stock falls, but earn if it grows  
[ b ] you earn if the stock appreciates, but lose if it depreciates  
[ c ] you earn if the stock appreciates, but neither gain nor lose if it depreciates
- 8** Two bonds have the same maturity, but after a change in market interest rates the change in their prices differs:  
[ a ] this can not happen, since duration measures price sensitivity to interest rate changes  
[ b ] this happens frequently, since the duration is not a precise measure  
[ c ] this can happen, but is unlikely, and only if foreign currencies are involved
- 9** A proof that markets are not perfectly efficient may be:  
[ a ] a zero-sum between gains and losses for all investors  
[ b ] asset bubbles  
[ c ] predictable paths taken by prices
- 10** A 'cap' feature in a floating interest bond:  
[ a ] favors both the borrower and the lender  
[ b ] favors the lender  
[ c ] favors the borrower

- 11** The worst part of a financial crises is:
- [ a ] asset bubbles
  - [ b ] the debt deflation
  - [ c ] a banking crisis
- 12** In pricing stocks through the price/earnings ratio, if earnings grow significantly:
- [ a ] prices should grow similarly to other sectors for similar companies
  - [ b ] prices should fall similarly to other sectors for similar companies
  - [ c ] prices should grow similarly to competitors in the same sector
- 13** The lower the yield to maturity, when comparing two similar bonds:
- [ a ] the greater the credit risk
  - [ b ] the greater the expected return
  - [ c ] the greater the current price
- 14** A simple indicator of development in the insurance market is:
- [ a ] a ratio between premiums and claims greater than 1
  - [ b ] a ratio between life and non-life premiums greater than 1
  - [ c ] a ratio between investments and technical provisions greater than 1
- 15** The leading revenue for a dealer is made of:
- [ a ] fees and commissions paid by clients
  - [ b ] interests on loans to clients
  - [ c ] bid-ask spreads
- 16** As of today, the greatest asset for the FED and the ECB is:
- [ a ] discount loans to banks
  - [ b ] asset-backed securities
  - [ c ] government bonds
- 17** 'Moral hazard' represents the asimmetric information issue that may manifest itself:
- [ a ] before a contract is signed
  - [ b ] after a contract is signed
  - [ c ] when a contract is not signed
- 18** In a traditional commercial bank:
- [ a ] the interest margin has a small impact on profitability
  - [ b ] short terms liabilities are greater than short term assets
  - [ c ] trading activities are greater than loans
- 19** Financial intermediaries:
- [ a ] are active in both the direct and the indirect channels
  - [ b ] are active only in the indirect channel
  - [ c ] are active only in the direct channel
- 20** Usually, in the mutual fund market:
- [ a ] there are more open-end funds than closed-end ones
  - [ b ] there are more closed-end funds than open-end ones
  - [ c ] closed-end and open-end funds are balanced

Do you need to schedule the oral examination at a specific time, due to other matters (other exams, work, family care, ...)? Let me know here!

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