

FINANCE
(BEGINNERS)
MODEL EXAM



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Format of Model Exam

Two parts of Questions:

Part A: 10 Multiple Choice Questions and Answers

In this section you will be required to choose the most correct answer from a choice of four candidates. There are ten questions in this section.

Part B: 23 Written Response Questions and Answers

In this section you are expected to correctly respond to the directive verb, using formulae and graphs when necessary.

SAMPLE ONLY

PART A

Questions

1. A “deficit unit” is:
 - a) A speculator
 - b) A borrower
 - c) A banker
 - d) A lender

2. New securities are issued on the:
 - a) Retail market
 - b) Capital market
 - c) Intermediated market
 - d) Primary market

3. The international regulatory agreement for banks is the:
 - a) Basel Accords
 - b) Denver Pact
 - c) Seoul Conference
 - d) Pretoria Treaty

4. The time value of money means that:
 - a) Funds received internationally are more valuable
 - b) Funds received domestically are more valuable
 - c) Funds received earlier are more valuable
 - d) Funds received later are more valuable

PART B

Questions

Question 1

Define and contrast equity and debt.

Question 2

Define and give an example of derivatives.

Question 3

Explain the concept of the “matching principle”.

Question 4

Name four types of financial institutions, giving examples of their sources and uses of funds.

SAMPLE ONLY

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