

Mid-semester Examination Outline
EE432 Monetary Theory and Policy
B.E. International Program
Faculty of Economics, Thammasat University
Semester 1/2019

1. Define some monetary economics terms (12 terms):

There would be key following concepts;

- 1) Chapter 1: Six parts of the financial system, Five core principles of money and banking
- 2) Chapter 2: Money, Liquidity
- 3) Chapter 2: Unit of account, Store of value
- 4) Chapter 2: Stored-value card, E-money
- 5) Chapter 3: Financial Instruments, Financial markets
- 6) Chapter 4: Future value, Present value
- 7) Chapter 4: Real interest rate, Fisher equation
- 8) Chapter 6: Current yield, Holding period returns
- 9) Chapter 10: Nominal exchange rate, Real exchange rate
- 10) Chapter 10: Law of one price, Purchasing power parity
- 11) Chapter 11: Adverse selection, Moral hazard
- 12) Chapter 11: Collateral, Net worth

2. Choose the proper investment and risk management strategy

- 1) Buying and selling financial assets and derivatives
- 2) Reducing risk through hedging or spreading
- 3) Assessing performance of the commercial bank management from balance sheet (profitability and risk management)

3. Read given case study and the arguments, then discuss and provide rigorous theoretical framework to support your answer.

Case Study: term structure of interest rates, yield curve shape, the expectations hypothesis and the liquidity premium theory
