Topic 4.1 & 4.3 Financial Assets & Money

Instructions: Answer the questions completely and in your own words.

1. **What is the difference between stocks and bonds?**

2. **What is liquidity and what is the most liquid type of asset?**

3. **Fill out the table to indicate the relationship between interest rates and bond prices.**

	Impact on Bond Prices
Interest rates go down:	
Interest rates go up:	

4. **What is the opportunity cost for holding money as an asset?**

5. **Fill out the table to define each function of money and provide a real world example of someone using money for that function.**

Function of Money	Description	Example
Medium of Exchange		
Unit of Account		
Store of Value		

6. **Fill out the table to explain what is counted in each money supply measure:**

M0 (Not all Money)	
M1 (Money)	
M2 (Money + Near Money)	