**Name: Macro Econ Key Terms**

**Directions: Define the following terms. Modules 24 to 26**

Present Value –

Net present value –

Bank reserves –

T-account –

Reserve ratio –

Required reserve ratio –

Bank run –

Deposit insurance –

Reserve requirements –

Discount window –

Excess reserves –

Monetary base –

Money multiplier –

Central bank –

Commercial bank –

Investment bank –

Savings and loan (thrift) –

Leverage -

Balance sheet effect –

Vicious cycle of deleveraging –

Subprime lending –

Securitization –

Module 24 to 26 Questions

1. What is the value of $100 after three years if the annual interest rate is 8 percent?
2. How much money would you need today in order to earn $50,000 a year assuming 9 percent annual interest?
3. If you could have $100 today or $200 dollars four years from now, what would you pick? Identify the rate of return at which point your decision would change.
4. A project with a 3 year life and a cost of $28,000 generates revenues of $8,000 in year 1, $12,000 in year 2, and $17,000 in year 3. If the discount rate is 3%, what is the NPV of the project?
5. Explain the problem of bank runs. What is the role of psychology in a bank run? How does deposit insurance help prevent bank runs?
6. Who oversees the Federal Reserve System?
7. In one paragraph try your best to explain the cause of the subprime crisis in 2007-08?