

Name: _____

Quiz 2
266: Fi. Markets and Institutions
Spring 2014
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DIRECTIONS: We are looking for concise answers. To the extent possible, write the answers in the space provided. Put your name on the quiz.

NOTE: All parts have equal value (4 points each).

1 [Do 4 of 5] Definitions/concepts.

1.1 Net worth.

1.2 Net interest margin (of a bank).

1.3 Put option.

1.4 Buy limit order (for a stock).

1.5 Market capitalization of a firm.

2 [**Do all of these**] Magnitudes and Empirical Facts.

2.1 What is the approximate value of assets of largest U.S. bank?

2.2 What is the approximate return on equity of U.S. banks in the years before the Great Recession? Pick one: [0-4][5-10][11-17] (all in percent)

2.3 The total (notional) value of outstanding derivatives such as swaps is [smaller than—roughly the same as—much larger than] the total value of the underlying securities from which the derivatives are derived? (pick one)

2.4 The typical or average level for the price-earnings ratio for the S&P 500 is what?

3 **[Do 2 of 3]** Short Answer.

3.1 Name two major asset categories and two major liability categories of commercial banks.

3.2 What distinguishes a defined benefit from a defined contribution pension plan?

3.3 Suppose that a bank says that its value at risk (VaR) due to trading activities is \$20 million. There are 2 key parameters or values that you need to know to understand the meaning of this VaR value. What are these? And, given these 2 additional parameters, what does this VaR value mean regarding possible losses?