

Answer Outline

ECONOMICS 353 (SECTION 2)
EXERCISE 2: 6 POINTS TOTAL

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DUE: Tuesday, January 27, 2:10pm

****IMPORTANT REMINDER: LATE ASSIGNMENTS CANNOT BE ACCEPTED – NO EXCEPTIONS****

Q1. Primary ways in which a broker DIFFERS from a dealer include:

- **A.** Brokers charge commissions to the users of their services.
- B.** Brokers take positions in the financial assets they trade.
- C.** Brokers facilitate financial asset trades but not trades in real assets.
- D.** all of the above.
- E.** only B and C.

Q2. Primary ways in which a dealer DIFFERS from a financial intermediary include:

- A.** Dealers hold asset inventories for resale.
- B.** Dealers do not engage in asset transformation.
- C.** The most important source of profits for dealers is commissions.
- D.** All of the above.
- **E.** Only A and B.

Q3. A dealer's "bid-ask spread" for a financial asset

- A.** is the bid (buy) price minus the asked (sell) price posted by the dealer for the financial asset.
- B.** is the asked (sell) price minus the bid (buy) price posted by the dealer for the financial asset.
- C.** measures the gross profit margin of the dealer on trades in the asset.
- D.** Only A and C.
- **E.** Only B and C.

Q4. Auction markets and over-the-counter (OTC) markets are **DISTINGUISHED** by the following characteristic(s):

A. Auction markets only handle trades in real assets whereas OTC markets handle trades in both real and financial assets.

****B.** Trades in auction markets are conducted through a centralized facility whereas trades in OTC markets are not.

C. Trades in auction markets are generally handled by dealers whereas trades in OTC markets are generally handled by brokers.

D. All of the above.

E. Only B and C.

Q5. Which of the following markets are organized as **OVER-THE-COUNTER** markets:

A. The U.S. government bond market.

B. The U.S. foreign exchange market.

C. The New York Stock Exchange.

D. All of the above.

****E.** Only A and B.

See the Next Page for Question Q6

EXERCISE 2: Q6 (WEB BROWSER QUESTION)

LEIGH TEFATSION/ECON 353/S04

FIVE LARGEST TRADE PARTNERS OF THE U.S. IN 2002 MEASURED BY TOTAL TRADE TURNOVER

	IMPORTS (millions \$U.S.)	EXPORTS (millions \$U.S.)	TRADE BALANCE EX-IM
Canada	201517.90	142543.10	-67974.80
Mexico	134121.20	86076.10	-48045.10
Japan	121262.50	48273.00	-72989.50
China	124795.70	20553.00	-104242.70
Germany	60984.60	24870.00	-36114.50

DATA SOURCE: United States International Trade Commission
<http://dataweb.usitc.gov/>

