An Introduction to Financial Markets and Institutions 2nd edition Burton Test Bank

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MULTIPLE CHOICE

1. The unique and most primary function of money is that it serves as a
   a. unit of account.
   b. generally acceptable means of payment.
   c. store of value.
   d. means for barter.

   ANS: B

2. Which of the following is **not** an important characteristic of something that functions as money?
   a. It is generally accepted to make payments.
   b. It is durable and scarce.
   c. It is only issued by the government.
   d. It is a unit of account and a store of value.

   ANS: C

3. Which of the following is an important characteristic of something that functions as money?
   a. It is generally accepted to make payments.
   b. It is durable and scarce.
   c. It is only issued by the government.
   d. Both a and b are important characteristics of money.

   ANS: D

4. A store of value has
   a. a plethora of discounted goods.
   b. purchasing power that is retained over time.
   c. to be issued by government.
   d. only designer name products.

   ANS: B

5. When using the barter system, it is necessary
   a. to find something to serve as money.
   b. to engage in either direct or indirect finance.
   c. that financial markets be unregulated.
   d. to find a double coincidence of wants.

   ANS: D

6. When using the barter system, it is not necessary
   a. to find something to serve as money.
   b. to engage in either direct or indirect finance.
   c. that financial markets be unregulated.
   d. All of the above are not necessary.

   ANS: D

7. The dollar is considered to be which of these?
   a. the profit standard for economic evaluation

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b. an excellent store of value even in highly inflationary times
c. the monetary unit of account
d. an efficient means of payment since the federal government is the only issuer of the dollar

ANS: C

8. Which of these is considered money in the U.S. today?
a. credit cards
b. currency
c. gold coins issued by the Treasury
d. U.S. Government Securities
e. All of the above are considered money in the U.S. today.

ANS: B

9. Which of these is **not** considered money in the U.S. today?
a. Credit cards
b. U.S. Government Securities
c. gold coins issued by the Treasury
d. None of the above are considered money in the U.S. today.

ANS: D

10. Compared to a regular checking account, money market deposit accounts generally
a. provide limited check writing.
b. pay higher interest.
c. require a higher minimum balance.
d. All of the above are characteristics of money market deposit accounts.

ANS: D

11. M1 contains which of the following?
a. Travelers' checks
b. checkable deposits
c. domestic non-financial debt
d. Both a and b are in M1.

ANS: D

12. M1 does **not** contain which of the following?
a. travelers' checks
b. Checkable deposits
c. Domestic Nonfinancial debt
d. Currency in the hands of the public

ANS: C

13. Money market deposit accounts are now included in
a. M1
b. M2
c. currency
d. nonfinancial assets

ANS: B

14. If either the cost is high or a substantial amount of time is needed to convert an asset to money, it is usually referred to as which of these?

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a. illiquid
b. highly liquid
c. perfectly liquid
d. near monies

ANS: A

15. "Means of payment" best describes which monetary aggregate?
a. M1
b. M2
c. only currency is a means of payment.
d. domestic Nonfinancial Deposits

ANS: A

16. Domestic Nonfinancial Deposits does **not** include the debt of financial institutions. This is done to avoid
a. double counting.
b. inefficiencies.
c. high debt-GDP ratios for the economy as a whole.
d. public outcries about the high level of debt.

ANS: A

17. When credit flows increase, domestic nonfinancial debt
a. increases.
b. decreases.
c. is not affected.
d. is irrelevant.

ANS: A

18. When credit flows decrease, domestic nonfinancial debt
a. increases.
b. decreases.
c. is not affected.
d. is irrelevant.

ANS: B

19. A measure of the unpaid claims lenders have against borrowers excluding the debt of financial institutions is called
a. M1.
b. M2.
c. money.
d. domestic nonfinancial debt.

ANS: D

20. Checkable deposits are included in which monetary aggregate?
a. M1
b. M2
c. DNFD
d. Both a and b contain checkable deposits.

ANS: D

21. During the late 1980s, which measure gained importance to the Fed?

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a. M1
b. small time deposits
c. money market deposit accounts
d. M2

ANS: D

22. The means by which transactions are completed is called
a. an automated teller Machine (ATM).
b. the payments mechanism.
c. Pay Pal.
d. verification.

ANS: B

23. Plastic cards that have a certain amount of funds embedded on a magnetic strip are called
a. carbon-copy written checks.
b. debit cards.
c. stored-value cards.
d. credit cards.

ANS: C

24. Computer terminals used in conjunction with a debit card to electronically transfer funds from checking accounts to third parties are called
a. payments mechanism.
b. ATMs.
c. point-of-sale terminals.
d. NOW accounts.

ANS: C

25. The intent of an electronic funds transfer system is to
a. eliminate overdrafts that check writing allows.
b. expand written check use.
c. strengthen the dollar as a means of payment.
d. increase convenience and service to the public and reduce the costs of making payments.

ANS: D

26. A card with a microprocessor chip embedded in it that usually includes a digital signature is called a
a. smart card.
b. debit card.
c. card shark.
d. stored-value card.

ANS: A

27. The best known and most popular form of electronic transfer of funds is
a. an automated teller machine (ATM).
b. clearinghouse interbank payment system.
c. stored-value card.
d. checkout lines.

ANS: A

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28. If significant costs are required to convert a particular type of asset to money, it is usually referred to as
    a. a checkable deposit.
    b. a savings account.
    c. liquid.
    d. illiquid.

    ANS: D

29. Something that serves as a generally acceptable means of payment will, of necessity, function as a
    a. means for barter.
    b. near-money.
    c. store of value.
    d. unit of DNFD.

    ANS: C

30. Which is **not** a function of money?
    a. to serve as a store of value
    b. to serve as a unit of account
    c. to serve as a means for barter
    d. to serve as a means of payment

    ANS: C

31. The distinguishing factor of money in the financial system is which of the following?
    a. It is issued only by the Fed.
    b. It is a generally acceptable medium of exchange.
    c. It is illiquid.
    d. It has little or no transaction costs.

    ANS: B

32. The best definition of a medium of exchange is which of the following?
    a. something that encourages the specialization and division of labor
    b. something that retains it value if held
    c. the accounting unit or standardized measure of value in which prices are quoted
    d. a means of payment; something used in transactions to make payments.

    ANS: D

33. The barter system is considered to be which of the following?
    a. highly effective for making transactions
    b. highly efficient
    c. costly, cumbersome, and inefficient
    d. a necessary part of the financial system

    ANS: C

34. Compared to a monetary system of exchange, the barter system does which of the following?
    a. increases transaction costs
    b. lowers the volume of exchange in the economy
    c. promotes inefficient use of time and energy
    d. The barter system does all of the above.

    ANS: D

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35. Barter systems tend to be found most often in which of the following economies?
    a. agricultural economies
    b. service-oriented economies
    c. shipping economies
    d. industrial economies

    ANS: A

36. In an economy, money promotes
    a. limited exchanges of goods and services.
    b. ineffective time management.
    c. individual consumption.
    d. efficient production.

    ANS: D

37. A unit of account refers to which of the following?
    a. an standardized accounting unit that provides a measure of value
    b. monetary aggregates
    c. large time deposits
    d. money market deposit accounts

    ANS: A

38. It is possible with a unit of account to do which of the following?
    a. compare relative values of various goods and services
    b. keep records about prices and debts
    c. simplify actual transactions throughout the economy
    d. It is possible to do all of the above.

    ANS: D

39. The development of money facilitates all of the following **except**
    a. exchange.
    b. specialization and division of labor.
    c. economic development.
    d. the double coincidence of wants

    ANS: D

40. M2 contains which of the following?
    a. travelers' checks
    b. government debt
    c. Domestic nonfinancial debt (DNFD)
    d. savings bonds

    ANS: A

41. Domestic nonfinancial debt is a measure of which of the following?
    a. bankers' acceptances
    b. outstanding foreign loans
    c. outstanding loans and debts, accumulated in the present and past excluding the debt of financial institutions
    d. debt of financial institutions used for relending purposes

    ANS: C

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42. M1 includes all of the following except
    a. currency.
    b. checkable deposits.
    c. money market deposit accounts.
    d. travelers' checks.

    ANS: C

43. Which aggregate is the largest?
    a. M1
    b. M2
    c. checkable deposits
    d. DNFD

    ANS: D

44. Which is used as a measure of transactions money?
    a. DNFD
    b. M2
    c. M1
    d. None of the above is a measure of money used in transactions.

    ANS: C

45. In the early 1990s, the Fed was most interested in which aggregate for an indicator of the level of economic activity?
    a. U.S. Savings Bonds
    b. domestic nonfinancial debt (DNFD)
    c. money market mutual funds
    d. money market deposit accounts

    ANS: B

46. The payment mechanism is how money is
    a. divided among investors.
    b. used for a measure of wealth.
    c. used to make payments.
    d. considered a store of value.

    ANS: C

47. The balance in a personal checking account is considered which of these?
    a. capital
    b. currency
    c. a nonmonetary financial asset
    d. money

    ANS: D

48. A store of value is which of the following?
    a. a standardized measure of value
    b. a means of payment
    c. something which retains its value if held
    d. something used to make exchanges in a nonmonetary economy

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ANS: C

49. Which of the following is **not** included in M1?
    a. small savings
    b. currency in the hands of the public
    c. other checkable deposits
    d. demand deposits at commercial banks

    ANS: A

50. Interest earning checking accounts are part of?
    a. small savings accounts
    b. currency in the hands of the public
    c. demand deposits at commercial banks
    d. other checkable deposits at depository institutions

    ANS: D

51. When credit flows decline, DNFD
    a. increases.
    b. declines.
    c. remains the same.
    d. declines then increases.

    ANS: B

52. Domestic nonfinancial debt (DNFD)
    a. is a measure of current debts accumulated this fiscal year.
    b. includes total credit market debt owned by domestic spending units.
    c. is a measure of total credit market debt owned by the domestic nonfinancial sector, excluding government debt.
    d. includes total outstanding credit market debt owed by the domestic public and private nonfinancial sectors, including government and private debt.

    ANS: D

53. How do demand deposits differ from other checkable deposits?
    a. Demand deposits are not as liquid as other checkable deposits.
    b. Demand deposits earn a higher interest rate than other checkable deposits.
    c. Demand deposits are non-interest-earning checking deposits while other checkable deposits earn interest..
    d. There is no difference between demand deposits and other checkable deposits.

    ANS: C

54. The difference between other checkable deposits and demand deposits can best be described as follows:
    a. Checkable deposits are a subset of demand deposits.
    b. Demand deposits are checkable deposits that are non-interest-earning.
    c. Demand deposits earn interest; checkable deposits do not.
    d. Demand deposits are part of M1; checkable deposits are not.

    ANS: B

55. In recent years, a new currency was introduced. The primary reason was
    a. to make the currency more difficult to counterfeit (technological advances had made counterfeiting easier).

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b. to increase the supply of currency in a growing economy.
c. to improve the appearance of the U.S. currency which was much less attractive than some foreign currencies.
d. to recall old dollars that were held in large amounts outside the United States.

ANS: A

56. Which of the following is ***true***?
a. The U.S. money supply as defined by M1 consists of currency in the hands of the public.
b. Checks have become more important as a result of technological innovation.
c. Checks themselves are not money; the balances in checkable deposits are money.
d. The evolution of money and the payments system is often unrelated to the development of the economy.

ANS: C

57. Smart cards differ from stored-value cards in that stored-value cards
a. have multiple uses and smart cards have a single use.
b. Are less sophisticated than smart cards.
c. have an embedded computer chip that stores information and may include a digital signature.
d. can be used in vending machines.

ANS: B

58. Which of the following is **false**?
a. Domestic nonfinancial debt (DNFD) is a measure of outstanding loans and debts accumulated in the present and past years.
b. DNFD refers to total credit market debt owed by the domestic nonfinancial sector including the U.S. government, state and local governments, private nonfinancial firms, and households.
c. Domestic nonfinancial debt excludes the debt of financial institutions-those institutions that borrow solely to re-lend.
d. DNFD is the broadest monetary aggregate.

ANS: D

59. Which of the following is **false**?
a. The payments mechanism is the means by which transactions are completed; how money is transferred among transactors.
b. When you write a check at the grocers, dollars are then credited (added) to the deposit account of the grocer, and debited (removed) from your account.
c. The balances in checkable deposits are money.
d. Technological advances are making checks much more important as a means of payment than in the past.

ANS: D

60. An electronic funds transfer system
a. makes payments to third parties in response to electronic instructions rather than instructions written on a paper check.
b. eliminates the need for deposit accounts.
c. is an inefficient way of transferring funds.
d. increases the costs of making payments at point of sales terminals.

ANS: A

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61. Which of the following is most liquid?
    a. a rare oil painting
    b. my house that has increased in value tremendously in recent years
    c. my checkable deposit
    d. my pension fund

ANS: C

62. The rental rate that is associated with borrowing or lending money is called
    a. the exchange rate.
    b. the rate of depreciation.
    c. the rate of inflation.
    d. the interest rate.

    ANS: D

63. The specific amount of money that net spenders wish to hold at a specific interest rate is the
    a. quantity supplied of money.
    b. quantity demanded of money.
    c. demand for money.
    d. supply of money.

    ANS: B

64. *Ceteris paribus*, the relationship between the quantity of money demanded and the interest rate is
    a. direct.
    b. positive
    c. inverse.
    d. constant over time

    ANS: C

65. The *ceteris paribus* assumption refers to which of these?
    a. holding all other factors constant
    b. assuming economic variables are always fluctuating
    c. assuming economic theory never changes
    d. holding one variable constant and allowing all others to vary

    ANS: A

66. The demand for money is primarily determined by
    a. government.
    b. spending plans and the need to pay for purchases.
    c. the residual claim on assets.
    d. taxation.

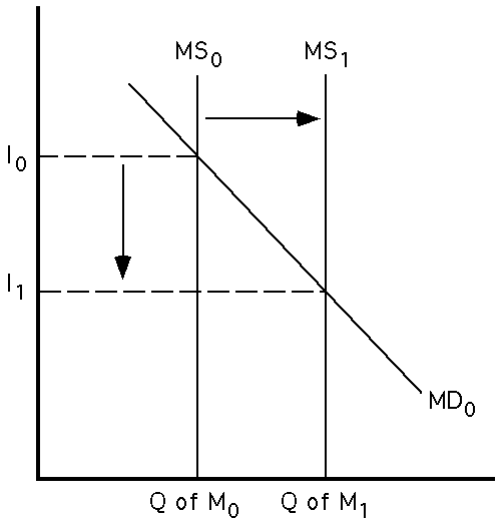
    ANS: B

67. An increase in income will generally raise
    a. the purchases of households.
    b. the purchases of firms.
    c. the demand for money at a given interest rate.
    d. all of the above.

    ANS: D

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Figure 3-1



68. Which of the following statements best describes Figure 3-1?
    a. As the Fed increases reserves and with them the money supply, the interest rate falls.
    b. As the Fed decreases available reserves and decreases money supply, the interest rate falls.
    c. As consumer incomes rise, consumers are more willing to spend money. As a result, they increase their demand for money and the interest rate falls.
    d. As the Fed increases the required reserve ratio, the money supply increases and the interest rate falls.

    ANS: A

69. In Figure 3-1, which of the following is **true**?
    a. Money demand is vertical.
    b. Money supply is vertical.
    c. As the interest rate increases, the quantity demanded of money also increases.
    d. As the interest rate decreases, the quantity demanded of money also decreases.

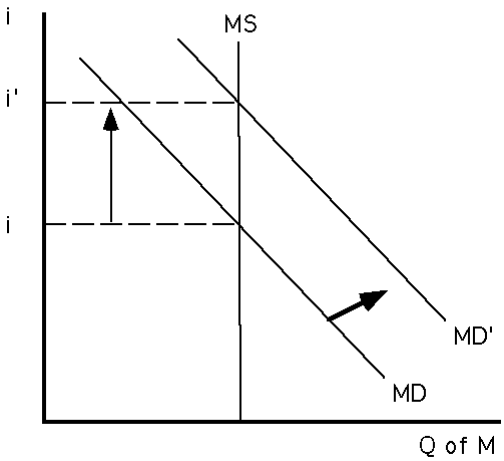
    ANS: B

70. The decrease in the interest rate shown in Figure 3-1 could have been caused by
    a. an increase in consumer income.
    b. the Fed increasing the money supply.
    c. the Congress decreasing taxes.
    d. an increase in the required reserve ratio.

    ANS: B

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Figure 3-2



71. Which of the following statements best describes Figure 3-2?
    a. As the Fed increases reserves and with them the money supply, the interest rate tends to increase.
    b. As the Fed decreases available reserves and decreases the money supply, the interest rate tends to increase.
    c. As consumer incomes fall, consumers become more frugal. As a result they increase their demand for money and the interest rate increases.
    d. An increase in household incomes is likely to increase the demand for money. As money demand increases, the interest rate rises.

    ANS: D

72. What may have *caused* the changes illustrated in Figure 3-2?
    a. A decrease in the required reserve ratio
    b. A decrease in interest
    c. An increase in consumer incomes
    d. An increase in interest rates

    ANS: C

73. In Figure 3-2,
    a. an increase in interest rates causes money demand to increase.
    b. an increase in money demand causes interest rates to increase.
    c. a decrease in the money supply causes the interest rate to increase.
    d. an increase in the interest rate causes money supply to increase.

    ANS: B

74. Graphically, an increase in income would tend to
    a. shift the demand curve for money to the left.
    b. shift the demand curve for money to the right.
    c. have no effect on the demand curve for money.
    d. cause a movement along the demand curve for money.

    ANS: B

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ANS: D

75. If a commercial bank has checkable deposit liabilities of $50,000 and the required reserve ratio is set at 12%, the commercial bank must hold how much in reserves assets?
    a. None. It is not mandatory to hold reserves.
    b. $3,000
    c. $6,000
    d. $44,000

    ANS: C

76. If the interest rate is above the equilibrium rate, there is an
    a. excess demand for money and downward pressure on the interest rate.
    b. excess quantity supplied of money and upward pressure on the interest rate.
    c. excess supply of money and upward pressure on the interest rate.
    d. excess quantity supplied of money and downward pressure on the interest rate.

    ANS: D

77. If the interest rate is below the equilibrium point, there is an
    a. excess supply of money and rising interest rates.
    b. excess quantity demanded of money and rising interest rates.
    c. excess demand of money and falling interest rates.
    d. excess quantity demanded and falling interest rates.

    ANS: B

78. Which of the following is **false**?
    a. The quantity supplied of money is the amount that will be supplied at a specific interest rate.
    b. The supply curve of money is vertical.
    c. The supply of money is directly related to the interest rate; that is, when the interest rate increases, the supply of money increases.
    d. When the Fed raises the required reserve ratio, the supply of money decreases.

    ANS: C

79. As the interest rate falls, the demand for money
    a. remains the same.
    b. Increases.
    c. Decreases.
    d. increases causing the quantity supplied of money to increase.

    ANS: A

80. Which of the following is **false**?
    a. Depository institutions must hold reserve assets equal to a certain fraction of deposit liabilities-called the required reserve ratio-which is set by the Fed.
    b. The Fed influences the amount of cash assets outstanding and thus the amount available for reserves.
    c. The Fed has significant influence over the money supply.
    d. The required reserve ratio is set by the president of the United States.

    ANS: D

81. Which of the following is **false**?
    a. The interest rate is determined by the supply of and demand for money.

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b. Equilibrium occurs at the interest rate where the quantity demanded of money is equal to the quantity supplied.
c. Changes in the supply of or demand for money (shifts of the supply or demand curves) affect the interest rate.
d. Ceteris paribus, if quantity demanded increases, the interest rate rises and vice versa. Ceteris paribus, if quantity supplied increases, the interest rate falls and vice versa.

ANS: D

82. If the Fed increases the money supply, *ceteris paribus*, the interest rate will
a. fall.
b. rise.
c. remain the same.
d. It is impossible to determine what will happen.

ANS: A

83. *Ceteris paribus*, which of the following would not increase the demand for money?
a. Spending plans for households increase
b. Income increases
c. Interest rates decrease
d. The need to pay for purchases increases

ANS: C

84. *Ceteris paribus*, which of the following would not increase the supply of money?
a. The Fed lowers the reserve requirement ratio.
b. The Fed increases cash assets available for reserves.
c. The demand for money increases.
d. Banks increase loans.

ANS: C

85. If a commercial bank has checkable deposits of $150,000 and the required reserve ratio is set at 10%, the commercial bank must hold how much in reserves?
a. None. It is not mandatory to hold reserves.
b. $10,000
c. $15,000
d. $150,000

ANS: C

86. The required reserve ratio is set by which of the following?
a. Congress
b. state governors
c. the Fed
d. the President's economic advisor

ANS: C

87. Reserves may be held in the form of
a. vault cash.
b. reserve deposit accounts at the Fed.
c. U.S. Savings Bonds.
d. Both a and b, but not c.

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ANS: D

88. Graphically, an increase in the money supply would
    a. shift the quantity supplied of money downward.
    b. slide the quantity supplied of money upward.
    c. shift the money supply curve to the right.
    d. shift the money supply curve to the left.

    ANS: C

89. Graphically, an injection of reserves into the banking system
    a. shifts the money supply curve to the left.
    b. shifts the money supply curve to the right.
    c. shifts the quantity supplied of money upward.
    d. shifts the quantity supplied of money downward.

    ANS: B

90. Graphically, an increase in the required reserve ratio would
    a. shift the money supply curve to the left.
    b. shift the money supply curve to the right.
    c. shift the quantity supplied of money upward.
    d. shift the quantity supplied of money downward.

    ANS: A

91. Graphically, a decrease in the provision of reserves would
    a. shift the quantity supplied of money upward.
    b. shift the quantity supplied of money downward.
    c. shift the money supply curve to the left.
    d. shift the money supply curve to the right.

    ANS: C

92. Graphically, a decrease in the required reserve ratio would
    a. shift the quantity demanded of money upward.
    b. shift the quantity supplied of money downward.
    c. shift the money supply curve to the left.
    d. shift the money supply curve to the right.

    ANS: D

93. Graphically, the supply curve for money is
    a. downward sloping.
    b. upward sloping.
    c. vertical.
    d. horizontal.

    ANS: C

94. Equilibrium occurs at the interest rate where
    a. supply equals demand.
    b. supply is less than demand.
    c. quantity supplied equals quantity demanded.
    d. quantity supplied is more than quantity demanded.

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ANS: C

95. If the demand for money increases ceteris paribus, interest rates will
    a. fall.
    b. remain the same.
    c. fall, and then stabilize.
    d. rise.

    ANS: D

96. If the supply of money falls ceteris paribus, interest rates will
    a. fall.
    b. rise.
    c. remain the same.
    d. fall, and then stabilize.

    ANS: B

97. If the demand for money decreases ceteris paribus, interest rates will
    a. fall.
    b. rise.
    c. rise, and then stabilize.
    d. remain the same.

    ANS: A

98. If the supply of money increases ceteris paribus, interest rates will
    a. rise.
    b. fall.
    c. rise, and then stabilize.
    d. remain the same.

    ANS: B

99. If there is a rightward shift in the demand curve for money, interest rates will
    a. fall.
    b. rise.
    c. remain the same.
    d. fall, and then stabilize.

    ANS: B

100. If there is a leftward shift in the supply curve for money, interest rates will
    a. remain the same.
    b. fall, and then stabilize.
    c. rise.
    d. fall.

    ANS: C

101. If there is a leftward shift in the demand curve for money, interest rates will
    a. fall.
    b. remain the same.
    c. rise, and then stabilize.
    d. rise.

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ANS: A

102. If there is a rightward shift in the money supply curve, interest rates will
a. rise.
b. remain the same.
c. rise, and then stabilize.
d. fall.

ANS: D

103. If there is a rightward shift in the money supply curve, the
a. demand for money will increase.
b. demand for money will decrease.
c. quantity demanded of money will increase.
d. quantity demanded of money will decrease.

ANS: C

104. If there is a rightward shift in the demand curve for money,
a. the money supply will increase.
b. the money supply will decrease.
c. the quantity supplied of money will remain the same.
d. the quantity supplied of money will decrease.

ANS: C

105. If there is a leftward shift in the money supply curve
a. demand for money will increase.
b. demand for money will decrease.
c. quantity demanded of money will increase.
d. quantity demanded of money will decrease.

ANS: D

106. *Ceteris paribus*, increases in reserves will lead to which of the following?
a. Increases in the interest rate and increases in money
b. Increases in the interest rate and decreases in money
c. Decreases in the interest rate and increases in money
d. Decreases in the interest rate and decreases in money

ANS: C

107. Graphically, the demand curve for money is
a. upward sloping.
b. downward sloping.
c. perfectly vertical.
d. perfectly horizontal.

ANS: B

108. A rightward shift in the demand curve for money means that
a. the demand for money has increased.
b. the demand for money has decreased.
c. the quantity for money demanded has increased.
d. the quantity for money demanded has decreased.

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ANS: A

109. A leftward shift in the demand curve for money means that
a. the quantity for money demanded has increased.
b. the quantity for money demanded has decreased.
c. the demand for money has increased.
d. the demand for money has decreased.

ANS: D

110. A rightward shift of the supply curve of money means that
a. the supply of money has increased.
b. the supply of money has decreased.
c. the demand for money has increased.
d. the quantity supplied of money has decreased.

ANS: A

111. A leftward shift of the supply curve of money illustrates that the
a. quantity supplied of money has increased.
b. quantity supplied of money has decreased.
c. supply of money has increased.
d. supply of money has decreased.

ANS: D

112. Which of the following is **false**?
a. The Fed sets the required reserve ratio that determines the maximum amount of money that banks can lend.
b. Depository institutions must hold reserve assets equal to a fraction of deposit liabilities; that fraction is called the required reserve ratio.
c. The Fed controls the amount of cash assets available for reserves.
d. The Fed must consult with depository institutions before setting the required reserve ratio.

ANS: D

113. *Ceteris paribus*, as interest rates rise, the quantity demanded of money
a. decreases.
b. increases.
c. remains the same.
d. increases at decreasing rates.

ANS: A

114. Ceteris paribus, as interest rates decline, the quantity demanded of money
a. falls.
b. decreases at an increasing rate.
c. increases.
d. remains the same.

ANS: C

115. The demand for money is directly related to which of these?
a. fortune
b. income
c. the interest rate

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d. all of the above

ANS: B

116. An increase in income will generally raise
a. the purchases of households and firms.
b. the spending plans of households and firms.
c. both a and b.
d. none of the above.

ANS: C

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