Listen carefully to the recording about the money market. Fill in the blanks in the sentences below with the correct words or phrases. You may need to rephrase the information or change the part of speech to fit the sentence.

1. The money market facilitates ___________ funding for businesses, banks, and governments, helping them access capital for up to one year.
2. Companies often rely on short-term financing to address fluctuations in _____________, such as paying for inventories or operational costs.
3. Certificates of deposit are an example of _____________ deposits, where money cannot be accessed until a specified date.
4. Large companies with strong credit ratings can borrow money by issuing _____________, a loan that does not require any collateral.
5. The face value or _____________ value of commercial paper is repaid in full when it reaches its fixed maturity.
6. Municipal bonds are often issued by local governments to address unexpected ___________ or to fund short-term projects.
7. Repurchase agreements allow sellers to use their _____________ as a guarantee to borrow money for a short period.
8. Treasury bills, often considered a risk-free investment, are sold at a _____________ and redeemed at full value upon maturity.
9. By buying back Treasury bills from commercial banks, central banks can increase the ____________ available for lending.
10. Investors who want higher returns than regular savings accounts can opt for short-term _____________ opportunities in the money market.

Read the text and choose correct answers to the following questions:

1. What is one of the main purposes of the money market?

a) To facilitate long-term investments and lending

b) To provide liquidity and enable short-term financing

c) To regulate interest rates for corporate bonds

d) To manage the issuance of Treasury bonds

2. Why do companies prefer using the money market over bank loans for short-term needs?

a) The interest rates on money market instruments are typically higher.

b) The money market offers options to secure loans with collateral.

c) It allows them to address cash flow irregularities more cheaply.

d) It provides long-term stability for their financial obligations.

3. Which of the following describes *commercial paper*?

a) A secured loan with variable interest rates

b) A short-term unsecured debt instrument issued by large companies

c) A type of Treasury bond with long-term maturity

d) A financial product offered exclusively by banks

4. What is the typical repayment method for *Treasury bills*?

a) They are redeemed at face value with periodic interest payments.

b) They are sold at a discount and redeemed at full value upon maturity.

c) They are sold at face value with interest added upon maturity.

d) They are repaid using proceeds from other government bonds.

5. What is the key difference between *certificates of deposit (CDs)* and regular savings accounts?

a) CDs allow for unlimited withdrawals at any time.

b) CDs generally offer fixed interest rates and require a fixed deposit term.

c) Savings accounts are only for individuals, while CDs are for companies.

d) Savings accounts typically have higher interest rates than CDs.

6. How do repurchase agreements (repos) function as a financing method?

a) They involve selling securities and repurchasing them at a higher price later.

b) They allow governments to issue short-term municipal bonds.

c) They are unsecured loans with fixed interest rates.

d) They require the borrower to hold a line of credit with a bank.

7. What are *municipal bonds* primarily used for in the USA?

a) To finance long-term projects for national governments

b) To address cash flow irregularities or short-term funding needs for local governments

c) To raise capital exclusively for corporate projects

d) To stabilize the money supply in regional economies

8. Why are Treasury bills often considered a safe investment?

a) They are backed by tangible assets as collateral.

b) They are issued by local governments and guaranteed by central banks.

c) They are obligations of national governments in their own currency.

d) They offer higher returns compared to other short-term investments.

9. What happens when central banks buy Treasury bills from commercial banks?

a) The money supply decreases, and commercial banks lend less.

b) The money supply increases, and commercial banks can lend more.

c) Interest rates on commercial loans rise.

d) The total liquidity in the economy remains unchanged.

10. What is the main advantage of issuing *commercial paper* for blue-chip companies?

a) It allows them to secure loans with minimal risk.

b) It provides a lower-cost alternative to bank loans.

c) It is easier to arrange than repurchase agreements.

d) It generates fixed returns for investors over the long term.

Vocabulary practice

Complete each sentence with the correct term.

1. Companies often issue ________ to raise short-term funds without using collateral.
2. A ________ allows borrowers to access funds as needed, up to a specified limit.
3. Governments issue ________ to cover immediate budget deficits or cash flow irregularities.
4. Assets like ________ and receivables are considered liquid and are expected to convert into cash within a year.
5. To address their ________, businesses often seek debt financing or other credit solutions.
6. ________ provide investors with fixed returns for lending money for a specified term.
7. ________ refers to the overall amount of money circulating in the economy.
8. A loan that requires no collateral is called an ________.
9. Large corporations with excellent credit often issue ________ instead of borrowing from banks.
10. When Treasury bills are ________, they are paid back in full at face value.

Read the following sentences and decide whether they are true (T) or false (F).

1. Treasury bills are a type of long-term debt obligation issued by governments.
2. Collateral is an asset used as security for a loan.
3. Commercial paper requires the borrower to provide a fixed asset as security.
4. A line of credit allows companies to borrow money as needed, up to a certain limit.
5. Municipal bonds are issued by cities or local governments to manage irregular cash flows or deficits.
6. Certificates of deposit (CDs) offer higher interest rates than savings accounts where money can be withdrawn at any time.
7. Repurchase agreements involve the sale of securities with no obligation to repurchase them later.
8. Inventories are items held by companies for immediate sale or future production.
9. Unsecured loans do not require borrowers to provide collateral.
10. Liquidity refers to how easily an asset can be converted into cash without losing value.