Name: ______________________ Date: ______________

Complete the passage by filling in the blank with the most appropriate sentence.

1. An interest rate is the amount of interest due in a given period, expressed as a proportion of the sum lent, deposited or borrowed. Alongside the rate itself, three further variables determine the total interest paid: the principal sum, the compounding frequency and the length of time. Rates reflect a borrower's willingness to pay for money now rather than money in the future. ---- Failure to go on paying that interest is an example of default, which may in turn be followed by bankruptcy proceedings.

A) Periods are ordinarily a year in length, and rates are usually annualised by convention when the period in question happens to be a shorter one.

B) Collateral is sometimes given by the borrower at the outset so that the lender retains some security in circumstances of exactly this kind.

C) In monetary policy and in macroeconomics the term is often used as shorthand for a central bank's policy rate rather than for any commercial rate.

D) Because lenders can rarely predict these movements with any confidence, most of them prefer to hold their funds in instruments of shorter duration.

E) In debt financing a company borrows capital from a bank, expecting that capital to generate a return on investment greater than the rate of interest it must pay.

2. Development economics is the branch of economics that deals with the economic aspects of the development process in low- and middle-income countries. Its focus is not only on promoting economic growth and structural change but also on improving the prospects of the mass of the population, through health, education and working conditions, whether by public or by private channels. ---- Such work may mean restructuring market incentives, or applying mathematical methods such as intertemporal optimisation to the analysis of a project, or combining quantitative with qualitative evidence.

A) Common topics in the field include growth theory, poverty and inequality, human capital and the part played by political and legal institutions.

B) It therefore involves creating theories and methods that help determine policies and practices, and these may be implemented at either the domestic or the international level.

C) Unlike many other branches of the discipline, it has always drawn on qualitative as well as quantitative methods of analysis.

D) The approaches it recommends have very rarely been adopted by the governments to which they were originally addressed.

E) Such restructuring of market incentives has become by some distance the most widely discussed of these instruments.

CEVAP ANAHTARI **1.** E **2.** B