

NO FRILLS Exam Prep Books

Intellectual Properties, Trademarks and Copyrights

ExamREVIEW.NET (a.k.a. ExamREVIEW) is an independent content developer not associated/affiliated with the certification vendor(s) mentioned throughout this book. The name(s), title(s) and award(s) of the certification exam(s) mentioned in this book are the trademark(s) of the respective certification vendor(s). We mention these name(s) and/or the relevant terminologies only for describing the relevant exam process(es) and knowledge.

This book is NOT an officially endorsed book. We are NOT affiliated with the ETS. Praxis is the trademark of ETS.

ExamREVIEW(TM) and ExamFOCUS(TM) are our own trademarks for publishing and marketing self-developed examprep books worldwide. The EXAMREVIEW.NET web site has been created on the Internet since January 2001. The EXAMFOCUS.NET division has its web presence established since 2009.

Copyright 2012, 13. ExamREVIEW.NET. All rights reserved.

Contents of this book are fully copyrighted. We develop study material entirely on our own. Braindump is strictly prohibited. We provide essential knowledge contents, NOT any generalized "study system" kind of "pick-the-right-answer-every time" techniques or "visit this link" referrals.

Contents Update

All books come with LIFE TIME FREE UPDATES. When you find a newer version of the purchased book all you need to do is to go and download. **Please check our web site's Free Updates section regularly:**

http://www.examreview.net/free_updates.htm

Page Formatting and Typeface

To accommodate the needs of those with weaker vision, we use LARGER PRINT throughout the book whenever practical. The text in this book was created using Garamond (size 16). A little bit of page resizing, however, may have happened along the actual book printing process.

The PRAXIS Economics Exams 0910 & 0911

WE ARE NOT AFFILIATED WITH PRAXIS OR THE ETS. WE DEVELOP THIS MATERIAL BASED ON OUR OWN UNDERSTANDING OF THE EXAM REQUIREMENTS. THIS MATERIAL IS THEREFORE NOT ENDORSED.

This book does not serve as an Intro A-B-C guide to Economics. It is assumed that you know the basics already. The focus of this book is on those difficult topics that will likely give you a hard time during the exams. We also believe that the two exams (0910 and 0911) share many common topics, that it makes better sense to combine the two into one for exam prep purpose. You should study both together before attempting to clear any one of them.

This book has a special drill section using the latest economic events to demonstrate some of the most important topics on modern macroeconomics. The eurozone debt crisis, the various QE attempts and the Operation Twist are explained and linked to the fundamental topics of monetary policy, open market operations, depression and deflation ...etc. We give you knowledge information relevant to the exam specifications.

To be able to succeed in the real exams, you'll need to apply your earned knowledge to the question scenarios. Many of the exam questions are written to be less straight forward. They tend to be framed within the context of short scenarios. **An advice: Do NOT rely on a single source for exam preparation. To secure exam success, always use multiple sources and read as much as possible!**

Table of Contents (2013 Revised Edition)

INTELLECTUAL PROPERTIES, TRADEMARKS AND COPYRIGHTS.....	1
CONTENTS UPDATE.....	2
PAGE FORMATTING AND TYPEFACE	2
THE CLEP MICRO/MACRO ECONOMICS EXAMS	2
TABLE OF CONTENTS (2013 REVISED EDITION).....	4
MICRO AND MACRO ECONOMICS	7
ECONOMICS DEFINED	7
MICRO VS MACROECONOMICS	7
OPPORTUNITY COST.....	8
SPECIALIZATION, COMPARATIVE ADVANTAGE AND ABSOLUTE ADVANTAGE	8
PRODUCTION POSSIBILITY FRONTIER.....	9
MARKET DEFINED	10
FIRMS IN A MARKET	11
DEMAND VS QUANTITY DEMANDED, AND ELASTICITY.....	11
SUPPLY VS QUANTITY SUPPLIED.....	12
DEMAND, SUPPLY AND EQUILIBRIUM.....	12
CONSUMERS' DEMAND VS COSTS OF PRODUCTION	13
EQUILIBRIUM VS DISEQUILIBRIUM	13
MOVEMENT ALONG THE CURVES VS SHIFTING OF THE CURVES VS ELASTICITY	14
MARGINAL COST VS MARGINAL REVENUE	15
THE DECISION TO QUIT OR SHUTDOWN.....	15
AGGREGATE DEMAND AND AGGREGATE SUPPLY	16
CONSUMER EQUILIBRIUM, UTILITY AND SURPLUS	16
THE WEALTH EFFECT, THE INTEREST RATE EFFECT AND THE NET EXPORTS EFFECT.....	17
ECONOMIC PROFITS	18
CLASSICAL THEORY VS KEYNESIAN THEORY	18
DIFFERENT MARKET STRUCTURES.....	19
MONOPOLY	19
PERFECT COMPETITION	20
OLIGOPOLY AND MONOPOLISTIC COMPETITION	20
MARKET POWER VS PRICE TAKING	21
ECONOMIES OF SCALE	21
THE LAW OF DIMINISHING MARGINAL UTILITY.....	22
MONETARY POLICY VS FISCAL POLICY.....	22
EXPANSIONARY VS CONTRACTIONARY FISCAL POLICY.....	24
SIDE EFFECTS OF FISCAL POLICY	24

ECONOMIC GROWTH, INFLATION AND CPI	25
BALANCE OF PAYMENTS AND BALANCE OF TRADE.....	26
MONEY, MONEY SUPPLIES AND DEPOSIT EXPANSION	27
M1, M2 AND M3	28
FOREIGN EXCHANGE.....	28
FX RATES.....	29
SWAPS	30
LIBOR.....	31
PRIME RATE.....	31
CURRENCY OPTION	31
ECONOMIC INDICATORS	32
GOVERNANCE	33
GAAP, FASB AND SFAS.....	34
BODIES, ACTS AND REGULATIONS	35
MORTGAGE	38
FINANCIAL THEORY, DEFINITIONS AND TRENDS.....	40
AGENCY THEORY	42
ETHICS.....	43
SOCIAL RESPONSIBILITY	45
OVERVIEW OF INTERNATIONAL TRADE AND GLOBALIZATION.....	45
COMPARATIVE ADVANTAGE AND THE BALANCE OF TRADE.....	46
FACTORS OF PRODUCTION AND THE COST CURVES	47
THE LABOR MARKET	47
UNEMPLOYMENT	49
FACTORS OF PRODUCTION AND INTERNATIONAL TRADE.....	50
REGIONALISM.....	51
TARIFFS, DUTIES AND DRAWBACK.....	51
TRADE BARRIER AND TRADE WAR	53
ANTI-BOYCOTT	54
SECURITY MEASURES.....	54
EXPORT CREDIT INSURANCE AND OTHER HELPFUL RESOURCES	55
SED AND AES	56
LEGAL AND POLITICAL ENVIRONMENTS.....	56
INTERNATIONAL BODIES AND EFFORTS.....	58
FAIR TRADE	63
COSTS AND COST BEHAVIOR.....	64
COST ESTIMATION.....	65
COST CONTINGENCY	67
COST VOLUME PROFIT ANALYSIS.....	68
PERFORMANCE MEASUREMENT AND ROI.....	69
COST OVERRUN VS COST ESCALATION	70
LIABILITY RISK AND MANAGEMENT.....	71

FLOAT.....	72
COMMERCIAL PAPER.....	72
LINE OF CREDIT.....	73
RISK FINANCING.....	73
CASH CONVERSION CYCLE.....	74
DU PONT ANALYSIS.....	74
WORKING CAPITAL MANAGEMENT.....	75
WACC.....	76
LEVERAGE.....	76
EVA.....	77
CREDIT ANALYSIS.....	77
OPEN-BOOK CREDIT VS DSO.....	79
ACCOUNTS RECEIVABLE.....	79
FACTORING AND FORFAITING.....	79
ASSET-BASED LENDING.....	80
INVOICE DISCOUNTING.....	80
PAYMENT NETWORKS AND PROCESSES.....	80
PAYMENT INSTRUMENTS.....	82
NET SETTLEMENT AND GROSS SETTLEMENT.....	85
REINVOICING AND TRANSFER-PRICING.....	85
INVENTORY MANAGEMENT.....	86
CAPITAL STOCK.....	87
CAPITAL MARKET.....	87
CAPITAL STRUCTURE CONCEPTS AND MODELS.....	88
INVESTMENT EVALUATION METHODS.....	89
NPV.....	89
IRR.....	90
OTHER RELEVANT CONCEPTS.....	90
SPECIAL DRILL ON SIGNIFICANT ECONOMIC EVENTS AND ISSUES.....	94
MONETARY POLICY.....	94
OPEN MARKET OPERATIONS, DISCOUNT RATES AND RESERVE REQUIREMENTS.....	97
THE EUROZONE DEBT CRISIS.....	100
INTEREST RATES, BOND PRICES, YIELDS AND CREDIT RATINGS.....	101
NATIONAL DEBT, BORROWING LIMITS AND RATING DOWNGRADE.....	103
DEPRESSION, RECESSION AND DEFLATION.....	104
SUBPRIME CRISIS.....	105
QUANTITATIVE EASING AND OPERATION TWIST.....	107