

Student's name: _____

The Dynamics of Modern Finance



Read the text carefully, then answer whether each statement is *True (T)* or *False (F)*.

In recent years, **cryptocurrency** has become an increasingly popular investment option, attracting not only individual traders but also **venture capital** firms looking to fund innovative blockchain startups. However, with the rise of digital currencies, governments have strengthened **AML (Anti-Money Laundering)** regulations to prevent illegal transactions and ensure transparency in financial systems. Meanwhile, traditional investors continue to focus on **equity** markets, where ownership in companies offers long-term growth potential.

To stabilize the economy, governments often use **fiscal policy**—adjusting spending and taxes—to control **inflation** and promote employment. On the other hand, **hedge funds** employ complex strategies to generate profits regardless of market conditions, often relying on their strong **liquidity** positions to move quickly in and out of investments. In this dynamic environment, both established institutions and new investors must balance risk and opportunity, understanding how each financial instrument shapes the broader economy.

Choose TRUE or FALSE

Cryptocurrency has become popular among both individual investors and venture capital firms. **TRUE / FALSE**

AML regulations are designed to help investors earn higher profits. **TRUE / FALSE**

Equity markets allow investors to own shares or part of a company. **TRUE / FALSE**

Fiscal policy involves the use of government spending and taxation to influence the economy. **TRUE / FALSE**

Inflation means that the value of money increases over time. **TRUE / FALSE**

Hedge funds typically use simple investment strategies to minimize risk. **TRUE / FALSE**

Liquidity refers to how quickly an asset can be turned into cash without losing value **TRUE** /**FALSE**

Governments use **fiscal policy** to stabilize the economy and promote employment. **TRUE** /**FALSE**

Venture capital is used to finance established, low-risk companies. **TRUE** /**FALSE**

The text suggests that understanding financial instruments helps investors balance risk and opportunity. **TRUE** /**FALSE**