Chapter 10 Test, Form A

Money and Banking

DIRECTIONS: Matching Match each item with the correct statement below.

1. privately owned, publicly controlled, central bank of the A. central bank **United States** B. certificates of deposit (CDs) **2.** money by government decree; has no alternative value or use as a commodity **C.** corporation **3.** a commercial bank chartered by the National Banking **D.** Federal Deposit Insurance System Corporation (FDIC) **4.** a system in which the basic unit of currency is E. Federal Reserve System (Fed) equivalent to, and can be exchanged for, a specific amount of gold F. fiat money **5.** a bank that can lend to other banks in times of need, G. gold standard or a "bankers' bank" H. national bank **6.** the United States government institution that provides deposit insurance on the depositor's account I. reserve requirement **7.** form of business organization recognized by law as a J. stock separate legal entity with nearly all the rights and responsibilities of an individual, including the right to buy and sell property, enter into legal contracts, sue, and be sued **8.** certificate of ownership in a corporation ____ 9. receipt showing that an investor has made an interestbearing loan to a financial institution **10.** formula used to compute the amount of a depository institution's required reserves DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers

the question.

- _____ **11.** You pick up a \$1 bill. What are you holding?
 - **A.** currency
 - B. a Federal Reserve note
 - **C.** fiat money
 - **D.** all of the above

_____12. Which of the following is an example of fiat money?

- A. tobacco C. gold
- B. hemp D. wampum

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Chapter 10 Test, Form A cont.

Money and Banking

13.	You can easily c	arry money in a poo	cket or purse. Th	his reflects what o	characteristic of money?
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0.	The call cally cally money in a pocket of				
	A. legal tender	C. durability			
	B. limited supply	D. portability			
14	• Printed on a Federal Reserve note is this statement: "THIS NOTE IS LEGAL TENDER FOR A				
I 4 .	DEBTS, PUBLIC AND PRIVATE." This reflects money's function as				
	A. a medium of exchange.	C. a store of value.			
	B. a measure of value.	D. any of the above.			
15.	In the early 1800s, currency in the United States was issued by				
	A. the Fed.	C. banks.			
	B. Congress.	D. a central bank.			
16	During the Civil War, Congress enacted the National Currency Act, which				
	A. created a National Banking System.				
	B. raised money for the Union.				
	C. created a national currency.				
	D. all of the above.				
17.	The United States went on the gold standard in and then went off the gold standard in				
	A. 1787, 1811	C. 1900, 1933			
		C. 1900, 1933 D. 1941, 1945			
18.	A. 1787, 1811				
	 A. 1787, 1811 B. 1863, 1876 Most banks are established 				
	A. 1787, 1811B. 1863, 1876				
	 A. 1787, 1811 B. 1863, 1876 Most banks are established A. as corporations. 				
	 A. 1787, 1811 B. 1863, 1876 Most banks are established A. as corporations. B. by local governments. 				
	 A. 1787, 1811 B. 1863, 1876 Most banks are established A. as corporations. B. by local governments. C. to be credit unions. 	D. 1941, 1945			
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	 A. 1787, 1811 B. 1863, 1876 Most banks are established A. as corporations. B. by local governments. C. to be credit unions. D. to fulfill reserve requirements. Which of the following can cost you mone A. a debit card B. a credit card C. a checking account 	D. 1941, 1945			
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Chapter 10 Test, Form A cont.

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DIRECTIONS: Essay Write a short essay in response to each item.

Figure 10.3

Typical Consumer Fees Charged by Banks

<u> </u>	Approximate Amount	Description
ATM fee	\$1.00 — \$2.00 per bank per transaction	If you use an ATM owned by another bank, you may have to pay both your bank and the other bank, resulting in a \$2.00—\$4.00 charge per withdrawal.
Low balance fee	> \$5.00 —\$15.00 monthly	Can result in having to pay the monthly maintenance fee if the balance drops below a certain amount, usually \$500—\$2,000.
Monthly maintenance fee	\$5.00 -\$15.00	Fee to maintain a checking or savings account. This can usually be avoided if the balance is sufficiently high but could be charged if the balance goes too low (see "low balance fee").
Online bill payment fee	Usually free if bundled with another account	Online bill payment fees can usually be set up to be made automatically, so customers must make sure that there is always enough in the account to avoid overdraft fees.
Overdraft fee	→ \$15.00 —\$30.00 per overdraft	Charged for a check or scheduled online bill payment that results in an overdraft.
Paper statement fee	◆ \$1.00 —\$2.00 per statement	Charged to customers who want a paper statement rather than an online statement.
Teller visit fee	\$5.00 -\$10.00	Fee increasingly used by banks wanting to encourage online use.

Exact fees may vary according to bank and to services offered.

21. Assume the role of a financial adviser. Your client has shared the above information from his bank and asks you to explain what it means and how he should use this information. Write an essay in the form of an email message in response to your client.

Chapter 10 Test, Form A cont.

Money and Banking

22. Technological developments in banking have made it easier to access money and track spending. How might these technological changes have resulted in changes in financial services industry regulation?