

Section 1: Quiz

Money



A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. anything that is used to determine value
- _____ 2. the direct exchange of one good for another
- _____ 3. something that serves as a way to compare values
- _____ 4. something that keeps its worth
- _____ 5. the coins and paper bills used as money in a society

Column II

- a. barter
- b. currency
- c. store of value
- d. medium of exchange
- e. unit of account

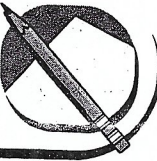
B. Main Ideas

Write the letter of the correct statement ending in the blank provided.

- _____ 6. The fact that money must withstand the wear and tear that comes from being used over and over again is a measure of its
 - a. portability.
 - b. currency.
 - c. durability.
 - d. age.
- _____ 7. Money that can be easily divided into smaller units of value has the characteristic of
 - a. divisibility.
 - b. denominations.
 - c. exchange.
 - d. durability.
- _____ 8. Objects that have value in themselves as well as their value as a means of exchange are called
 - a. currency.
 - b. commodity money.
 - c. simple money.
 - d. custom.
- _____ 9. The difference between representative money and fiat money is that
 - a. representative money can be converted into silver or gold; fiat money cannot.
 - b. representative money is worth more per dollar than fiat money, which is actually worthless.
 - c. fiat money is counted in coins; representative money is counted in paper dollars.
 - d. fiat money is more traditional than representative money, which is a newer concept.
- _____ 10. Two units of the same type of money must be the same in terms of what they will buy, which is the principle of
 - a. functionality.
 - b. value.
 - c. pricing.
 - d. uniformity.

Section 2: Quiz

The History of American Banking

**A. Key Terms**

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. an institution for receiving, keeping, and lending money
- _____ 2. the central banking system of the United States
- _____ 3. a government institution that covers bank accounts against bank failure
- _____ 4. a paper money that was issued by the U.S. Treasury during the Civil War

Column II

- a. FDIC
- b. bank
- c. greenback
- d. Federal Reserve System

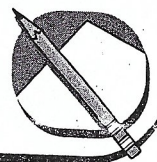
B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 5. What is the gold standard?
 - a. a system that uses actual gold coins as a country's money
 - b. a system in which a country's money is backed with gold
 - c. a currency system in which each dollar is worth $\frac{1}{20}$ of a pound of gold
 - d. a money system in which the paper currency is good in more than one country
- _____ 6. When was the first Bank of the United States formed by the Federalists?
 - a. during the American Revolution
 - b. in the late eighteenth century
 - c. in the first quarter of the nineteenth century
 - d. after the Civil War
- _____ 7. During the Free Banking Era, between 1837 and 1863, banking in the United States was dominated by which of the following?
 - a. small, independent banks with no charters
 - b. the national bank of the United States
 - c. state-chartered banks
 - d. savings and loan banks
- _____ 8. After the Civil War, the National Banking Acts gave the federal government the power to do all of the following except?
 - a. insure banks against failure.
 - b. charter banks.
 - c. require banks to hold adequate gold and silver.
 - d. have a single national currency.
- _____ 9. As part of the nation's recovery from the Great Depression of the 1930s, the banking system was reformed in which of the following ways?
 - a. The government paid off loans for large corporations.
 - b. The Federal Reserve Banks were closed.
 - c. Banks were deregulated by the government.
 - d. The banking system was taken off the gold standard.
- _____ 10. The savings and loan crisis in the late twentieth century was caused at least partially by which of the following?
 - a. lack of checking accounts and inadequate business loans
 - b. inadequate money supply and lack of federal coverage of savings and loan banks
 - c. overly strict regulation, low interest rates, and lack of consumer confidence
 - d. high interest rates, bad loans, and fraud

Section 3: Quiz

Banking Today



A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. device that allows its holder to buy goods based on a promise to pay
- _____ 2. specific type of loan that is used to buy real estate
- _____ 3. system that keeps only a small part of a deposit on hand and lends out the rest
- _____ 4. failure to pay back a loan
- _____ 5. device that allows its holder to buy goods and have the payment deducted from a checking account

Column II

- a. default
- b. fractional reserve banking
- c. mortgage
- d. credit card
- e. debit card

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 6. What is the difference between simple and compound interest?
 - a. Simple interest is paid as long as the money stays in the bank; compound interest is only paid for a year at a time.
 - b. Simple interest is paid once a year; compound interest is paid at least quarterly.
 - c. Simple interest is paid on the principal only; compound interest is paid on both principal and interest.
 - d. Simple and compound interest are two names for the same thing.
- _____ 7. The money supply of a country is made up of which of the following?
 - a. only the M1 money available in an economy
 - b. only the M2 money available in an economy
 - c. all the money available in an economy
 - d. all the money available in an economy plus money that the country could borrow
- _____ 8. Why are funds in checking accounts called demand deposits?
 - a. They are available whenever the depositor writes a check for them.
 - b. They can be paid to anyone who writes and presents a check for them.
 - c. They will be paid without a check being drawn if necessary.
 - d. They are kept without interest by the bank.
- _____ 9. What is a credit union?
 - a. a bank that takes deposits but does not make loans
 - b. a bank that specializes in retirement savings accounts
 - c. a modified type of savings and loan that makes loans for housing
 - d. a cooperative lending institution for a particular group
- _____ 10. How does a bank make most of its profit on its business?
 - a. by collecting fees on credit card purchases
 - b. by collecting fees on safety deposit boxes, traveler's checks, and certified checks
 - c. by receiving fees from the government for handling federal and state accounts
 - d. by paying out less in interest on deposits than it earns in interest on loans



Section 1: Quiz

Saving and Investing

CHAPTER 11

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. redirecting resources from being consumed today to create future benefits
- _____ 2. arrangement that allows the transfer of money between savers and borrowers
- _____ 3. institution that helps channel funds from savers to borrowers
- _____ 4. spreading out investments to reduce risk
- _____ 5. collection of financial assets

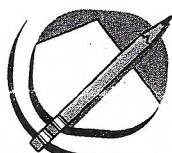
Column II

- a. financial system
- b. portfolio
- c. investment
- d. financial intermediary
- e. diversification

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 6. What is the money an investor receives above and beyond the money initially invested called?
 - a. savings
 - b. liquidity
 - c. return
 - d. investment
- _____ 7. What is a prospectus?
 - a. a pool of money from various investors
 - b. a report monitoring an individual's investments
 - c. a collection of financial assets
 - d. an investment report for potential investors
- _____ 8. Why is a certificate of deposit considered such a safe investment?
 - a. It is issued by a savings bank.
 - b. It is guaranteed by the federal government.
 - c. It pays a relatively low rate of interest.
 - d. It cannot be redeemed whenever the investor wants the money.
- _____ 9. What is a mutual fund?
 - a. a device for pooling the savings of many investors and investing it in a variety of ways
 - b. a group that makes loans to investors who sometimes have a history of not paying back their loans
 - c. a group that borrows money from many different sources to lend to its members
 - d. a company that collects money from people to insure their families against their loss of income
- _____ 10. How does a pension fund act as an investor?
 - a. The fund lends money to those who are also investors in it.
 - b. The company invests the money collected from employers and/or employees.
 - c. The company uses money collected from the employees as a fund to finance the company.
 - d. The fund uses its own money to invest, not the money that is invested in it.



Section 2: Quiz

Bonds and Other Financial Assets

CHAPTER 11

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. amount that an investor pays to buy a bond
- _____ 2. time at which payment is due to a bondholder
- _____ 3. low-denomination bond issued by the U.S. government
- _____ 4. bond issued by a state or local government authority
- _____ 5. interest rate that a bond issuer will pay to a bondholder

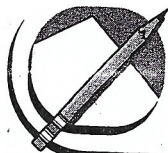
Column II

- a. coupon rate
- b. maturity
- c. par value
- d. savings bond
- e. municipal bond

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 6. What is a corporate bond?
 - a. a bond issued by a local government but sold by a corporation
 - b. a bond issued by a corporation as a way to borrow money
 - c. a high-risk investment in the proceeds of a corporation
 - d. another name for corporate stock
- _____ 7. What is the Securities and Exchange Commission?
 - a. an independent agency that advises the government about financial markets
 - b. a government agency that sells treasury bonds and other U.S. financial obligations
 - c. a government agency that regulates financial markets and investment companies
 - d. a privately owned investment corporation that sells bonds and other investments
- _____ 8. Why would investors buy a junk bond?
 - a. They want to invest in a particular company although it may not pay off.
 - b. They have so much money that they do not care whether the bond will pay off.
 - c. Junk bonds are sold by more interesting companies than are regular bonds.
 - d. Junk bonds pay a potentially higher level of interest than other bonds.
- _____ 9. What is the difference between a primary market and a secondary market?
 - a. A primary market is financial assets that can be redeemed only by the original investor; a secondary market's assets can be resold.
 - b. A primary market is paid first if a company is in trouble; a secondary market gets what is left.
 - c. A primary market is redeemed by a company's assets; a secondary market is redeemed by what is owed to the company.
 - d. A primary market is money lent for less than a year; a secondary market is money lent for a longer time.
- _____ 10. How does the risk involved in a money market mutual fund compare with the risk of a certificate of deposit (CD)?
 - a. The risk of the money market mutual fund is less than that of the CD.
 - b. The risk of the money market mutual fund is slightly greater than that of the CD.
 - c. The risk of the money market mutual fund is much greater than that of the CD.
 - d. The risk of both is about the same.



Section 3: Quiz

The Stock Market

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. period during which the stock market falls steadily
- _____ 2. business that specializes in trading stocks
- _____ 3. difference between a higher selling price and a lower buying price realized by the seller of stock
- _____ 4. electronic marketplace for stock that is not listed or traded on an organized exchange
- _____ 5. contract that gives an investor the right to buy or sell stock

Column II

- a. OTC market
- b. capital gains
- c. brokerage firm
- d. option
- e. bear market

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 6. What does the New York Stock Exchange do?
 - a. buys and sells stocks but not bonds for private investors who have extremely large amounts of money to invest
 - b. arranges stock and bond trading of the largest and most established companies in the United States
 - c. handles stock and bond trading on the Internet
 - d. arranges the buying and selling of blue chip stocks only
- _____ 7. What kind of stockbroker is a daytrader?
 - a. one who deals with the U.S. market only and does not trade in the Far East
 - b. one who specializes in certain kinds of stocks that are related to people's day-to-day needs
 - c. one who buys and sells stocks on a minute-by-minute basis to try to make a profit
 - d. one who will not wait until the next day to trade a stock
- _____ 8. What are the Dow and the S&P 500?
 - a. averages of stocks and bonds that are traded often
 - b. cumulative records of all stocks sold on the NYSE and other major exchanges
 - c. indexes that track the sales of all the stocks and bonds in the United States
 - d. indexes that show the performance of limited but representative stocks
- _____ 9. What was one outcome of the stock market's Great Crash in 1929 that lasted for more than 50 years?
 - a. Ordinary people were afraid to invest in the stock market.
 - b. Financial ruin affected millions of people who had not been investors.
 - c. Millions of people were kept out of work.
 - d. Money was hard to borrow.
- _____ 10. What does the word *speculation* mean to an economist?
 - a. investing in a type of stock the buyer knows little about
 - b. making small, high-risk investments with surplus money
 - c. making high-risk investments with borrowed money
 - d. investing in low-risk stocks with surplus money