

CHAPTER

15

Money and Banking

Part 1: Content Review

Matching

Write the letter of the correct term for each definition on the line provided.

Terms

- | | |
|------------------------------------|---------------------------|
| A. money | F. depository institution |
| B. security | G. deposit |
| C. credit card | H. finance company |
| D. financial exchange | I. checking account |
| E. electronic funds transfer (EFT) | J. savings account |

- _____ 1. A bank account used by depositors to accumulate money for future use.
- _____ 2. A financial institution that makes money by issuing loans.
- _____ 3. The process of transferring money from one individual or organization to another.
- _____ 4. Anything of value that is accepted in return for goods and services.
- _____ 5. A type of financial investment issued by a corporation, government, or other organization.
- _____ 6. A financial institution that accepts money from customers and deposits it into the customer's account.
- _____ 7. A plastic card that the holder uses to make credit purchases up to an authorized amount.
- _____ 8. Money placed into an account.
- _____ 9. Transfer of money from one bank account to another.
- _____ 10. A bank account that allows the owner to make deposits, write checks, and withdraw money.

Multiple Choice

Place the letter of the correct answer to each question on the line provided.

- _____ 1. Money serves which of the following functions?
- A. Medium of exchange
 - B. Unit of value
 - C. Store of value
 - D. All of the above.
- _____ 2. To be useful and meaningful in an economy, money must be _____.
- A. plentiful
 - B. reproducible
 - C. divisible
 - D. renewable
- _____ 3. The _____ is our nation's central bank.
- A. United States Mint
 - B. Federal Reserve System
 - C. United States Treasury
 - D. US Bureau of Engraving and Printing
- _____ 4. Action taken to manage the supply of money and interest rates in an economy is _____.
- A. monetary policy
 - B. fiscal policy
 - C. financial intermediation
 - D. financial control
- _____ 5. A bank-issued _____ allows customers to pay for purchases directly from their checking account.
- A. banknote
 - B. credit card
 - C. debit card
 - D. letter of credit
- _____ 6. The largest category of depository institutions is _____.
- A. commercial banks
 - B. investment banks
 - C. credit unions
 - D. savings and loan institutions
- _____ 7. An insurance company is an example of a _____.
- A. depository institution
 - B. nondepository institution
 - C. finance company
 - D. thrift institution
- _____ 8. General banking services do *not* include _____.
- A. checking accounts
 - B. savings accounts
 - C. letters of credit
 - D. electronic banking

Name _____

- _____ 9. A(n) _____ is prearranged amount of credit that is available for a business to use as needed.
- A. letter of credit
 - B. line of credit
 - C. electronic funds transfer (EFT)
 - D. savings account
- _____ 10. An independent government agency that provides deposit insurance in the event of a bank failure is the _____.
- A. Federal Reserve System (the Fed)
 - B. Office of Thrift Supervision
 - C. Comptroller of the Currency
 - D. Federal Deposit Insurance Corporation (FDIC)

Completion

In the space provided, write the word(s) that best completes each of the following statements.

- _____ 1. To _____ is to exchange one good or service for another good or service.
- _____ 2. In the United States, the _____ is the official currency of financial exchange.
- _____ 3. _____ means that money is a common measure of the worth or price of a good or service.
- _____ 4. The mechanism a nation uses to provide and manage money for itself is a _____.
- _____ 5. Banks that are part of the Federal Reserve System are known as _____.
- _____ 6. A nonprofit financial institution that is privately owned and provides banking services for its members is a(n) _____.
- _____ 7. A financial institution that is involved in trading securities in financial markets is a(n) _____.
- _____ 8. A(n) _____ is a financial institution that helps businesses raise money for expansion or maintenance of the business.
- _____ 9. A(n) _____ is a document that guarantees that a buyer will pay the seller the agreed-upon amount and within the time specified.
- _____ 10. The _____ Act requires clear disclosure of finance charges and annual percentage rates on loans.

Name _____

Part 2: Concept Review

Open Response

Write your response to each of the following statements or questions in the space provided. Use complete sentences.

1. Identify four basic types of financial exchange. Briefly explain the benefits of each.

2. Explain the role and responsibilities of the Federal Reserve System in the United States.

3. Identify three banking needs that are unique to businesses.

Name _____

4. Explain the roles of the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) in our nation's banking system.

5. What are nondepository institutions? List the four major types of nondepository institutions. Are any of these financial institutions familiar to you? Explain why.

Name _____

Part 3: Math Skills

Mixed Mathematics

Business owners and employees need to understand how compensation is paid for different jobs, and how the compensation is calculated. Compensation can be paid in different ways: hourly wages, salaried employment, and commission. Basic math is essential in understanding each.

Answer the following questions about compensation.

1. One of the most common ways to be paid is by the hour, especially for entry-level employees. Hourly wages are calculated using the following formula:

$$\text{hourly wage} \times \text{number of hours worked} = \text{total earnings.}$$

A lifeguard at a water park worked 32 hours last week at an hourly wage of \$11.75. Calculate this employee's earnings.

2. Federal law requires that employees receive overtime pay for hours worked in excess of 40 in a workweek. Overtime pay is at least 1.5 times the regular hourly wage. Using 1.5 as an overtime multiplier, calculate the earnings of a customer service representative who earns \$13 an hour and works 48 hours in a week.

3. It is common to pay professionals and managerial staff a salary. A salary is a fixed payment for work, usually paid monthly or twice a month. The formula for calculating the amount of wages received per paycheck is:

$$\frac{\text{annual pay}}{\text{number of pay periods per year}} = \text{amount per paycheck}$$

An information technology professional earns an annual salary of \$66,000 and receives paychecks twice a month. How much is each paycheck?

Name _____

4. Sometimes a salaried employee can receive a bonus in addition to his or her regular salary. Bonus amounts may be a fixed or be a percentage of annual salary. For example, a restaurant manager earns a \$72,000 annual salary. In addition, she receives a 25 percent bonus after her restaurant achieves a certain profit. Calculate her annual earnings.

5. Employees with sales positions often earn a commission. Commission is an added amount that is usually a percentage of a sales transaction and is calculated with the following formula:

$$\text{item price} \times \text{number of items} \times \text{commission rate} = \text{commission}$$

A salesperson at a flooring store earns \$200 a week plus the following commission: 5 percent of hard flooring sales and 4 percent of carpet sales. Calculate earnings for last week if the salesperson sold \$11,000 of hard flooring and \$12,000 of carpet.

Name _____

Part 4: Communication Skills

Writing

Written forms of communication are necessary when performing the duties of most jobs. Writing for professional communication requires precise word choice and presentation. One of the common rules to follow is to avoid dividing, or hyphenating, words at the end of sentences. This reduces the readability of the written words. However, there are times when this cannot be avoided. When it is necessary to divide a word at the end of a sentence, follow these basic guidelines:

- Do not divide single-syllable words or contractions.
- Divide words between syllables.
- When a word contains a hyphen, divide it at the existing hyphen.
- Divide compound words between the two base words.
- Do not divide proper names.

Follow the guidelines for dividing words to hyphenate the words below.

1. completeness

2. surround

3. instead

4. frequency

5. prepared

6. exclude

7. communication

8. correspondent

9. previous

Name _____

10. can't

11. textbook

12. graduate

13. sincerely

14. automatically

15. brother-in-law
