

# TEST ♦ Chapter 14, Test Form A

## MONEY AND BANKING

### SCORE

### USING KEY TERMS

**Matching:** Match each item in Column A with the items in Column B. Write the correct letters in the blanks.

#### A

- \_\_\_\_\_ 1. barter
- \_\_\_\_\_ 2. debit card
- \_\_\_\_\_ 3. overdraft checking
- \_\_\_\_\_ 4. thrift institutions
- \_\_\_\_\_ 5. automated teller machine (ATM)
- \_\_\_\_\_ 6. M1
- \_\_\_\_\_ 7. legal tender
- \_\_\_\_\_ 8. M2
- \_\_\_\_\_ 9. checking account
- \_\_\_\_\_ 10. electronic funds transfer

#### B

- a. money that must by law be accepted for payment of public and private debts
- b. system of putting onto computers all the various banking functions that in the past were handled on paper
- c. moneys that can be spent immediately and against which checks can be drawn
- d. card used to make cashless purchases
- e. mutual savings banks, savings and loan institutions, and credit unions
- f. exchange of goods and services for other goods and services
- g. account from which deposited money can be withdrawn at any time by writing a check
- h. moneys that can be spent immediately and against which checks can be drawn plus near monies such as money market accounts or Eurodollars.
- i. units that allow customers to access their banking without the help of a teller
- j. checking account that allows customers to write checks for more money than they have in their accounts

### RECALLING FACTS AND IDEAS

**Multiple Choice:** In the blank at the left, write the letter of the choice that best completes the statement or answers the question.

- \_\_\_\_\_ 11. ATMs receive deposits, give out funds, accept payments, and
  - a. make loans.
  - b. provide credit ratings.
  - c. cash checks.
  - d. transfer funds between accounts.
- \_\_\_\_\_ 12. The Federal Reserve System was established to
  - a. ensure a safe and uniform currency.
  - b. regulate thrift institutions.
  - c. establish a gold standard.
  - d. control the amount of money in circulation.
- \_\_\_\_\_ 13. The Federal Reserve has the power to
  - a. regulate national bank reserves.
  - b. control deposits in member banks.
  - c. set interest rates for all banks.
  - d. tax member banks.

**T E S T** (continued) **Chapter 14, Test Form A**

- \_\_\_\_\_ **14.** M2 is
- a. a broader definition of the money supply than M1.
  - b. a narrower definition of the money supply than M1.
  - c. a different way of measuring the money supply than M1.
  - d. always equal to M1.
- \_\_\_\_\_ **15.** Representative money is money that is
- a. backed by a valuable item, such as gold.
  - b. used in comparison for the values of goods and services.
  - c. accepted in payment for private debts.
  - d. coins and bills.

**CRITICAL THINKING QUESTIONS**

*Directions: Answer each of the following sets of questions on a separate sheet of paper.*

- 16. Sequencing and Categorizing Information** What important event preceded the establishment of the Federal Deposit Insurance Corporation (FDIC)? How did that event prompt establishment of the FDIC?
- 17. Drawing Inferences and Conclusions** Why would cattle, chocolate, and clothing be poor mediums of exchange?

**APPLYING SKILLS**

*Understanding Percentages: Study the chart and answer the questions below.*

**U.S. Money Supply, 1998–2001**  
(in billions of dollars)

Year	M1	M2
1998	1,080	4,207
1999	1,102	4,526
2000	1,104	4,801
2001	1,137	5,220

*Source: Board of Governors of the Federal Reserve System*

- 18.** By what percentage did M1 increase between 1998 and 2001?
- 19.** Over the same period, by what percentage did M2 increase?
- 20.** What percent was M1 of M2 in 1999?

# TEST ♦ Chapter 14, Test Form B

## MONEY AND BANKING

SCORE
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### USING KEY TERMS

**Matching:** Match each item in Column A with the items in Column B. Write the correct letters in the blanks.

#### A

- \_\_\_\_\_ 1. money
- \_\_\_\_\_ 2. M1
- \_\_\_\_\_ 3. fiat money
- \_\_\_\_\_ 4. thrift institutions
- \_\_\_\_\_ 5. barter
- \_\_\_\_\_ 6. automated teller machine (ATM)
- \_\_\_\_\_ 7. debit card
- \_\_\_\_\_ 8. electronic funds transfer
- \_\_\_\_\_ 9. overdraft checking
- \_\_\_\_\_ 10. checkable deposits

#### B

- a. exchange of goods and services for other goods and services
- b. money that can be spent immediately and against which checks can be written
- c. anything customarily used as a medium of exchange, a unit of accounting, or a store of value
- d. system of putting onto computers all the various banking functions that in the past were handled on paper
- e. mutual savings banks, savings and loan institutions, and credit unions
- f. money deposited in a bank that can be withdrawn at any time by presenting a check
- g. money that has value because a government fiat, or order, has established it as acceptable for payment of debts
- h. card used to make cashless purchases
- i. units that allow customers to do their banking without the help of a teller
- j. checking account that allows customers to write checks for more than they have in their accounts

### RECALLING FACTS AND IDEAS

**Multiple Choice:** In the blank at the left, write the letter of the choice that best completes the statement or answers the question.

- \_\_\_\_\_ 11. Which of the following is not a function of money?
  - a. medium of exchange
  - b. unit of accounting
  - c. interest-bearing instrument
  - d. store of value
  
- \_\_\_\_\_ 12. The FDIC was created to
  - a. stabilize the interest banks paid depositors.
  - b. increase government control over banks.
  - c. create jobs during the Depression.
  - d. increase depositors' confidence in the banking system.
  
- \_\_\_\_\_ 13. Most of the currency in the United States is in the form of
  - a. coins.
  - b. Federal Reserve notes.
  - c. gold-backed securities.
  - d. Treasury bills.

**TEST** (continued) **Chapter 14, Test Form B**

- \_\_\_\_ 14. Near moneys include
  - a. stocks.
  - b. bonds.
  - c. time deposits.
  - d. property.
  
- \_\_\_\_ 15. One of the drawbacks of electronic funds transfer is
  - a. it can take longer than manual transfers.
  - b. the possibility of tampering is increased because records are stored in a computer.
  - c. ATMs cannot always handle electronic funds transfers.
  - d. not all banks are equipped to handle electronic funds transfer.

**CRITICAL THINKING QUESTIONS**

**Directions:** Answer each of the following sets of questions on a separate sheet of paper.

- 16. **Understanding Cause and Effect** How did the growth of money market deposits and mutual funds affect the money supply?
- 17. **Drawing Inferences and Conclusions** How does a debit card help protect a consumer from falling into debt?

**APPLYING SKILLS**

**Understanding Percentages:** Study the chart and answer the questions below.

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- 18. By what percentage did M1 increase between 1998 and 2000?
- 19. Over the same period, by what percentage did M2 increase?
- 20. What percent was M1 of M2 in 2001?