Banking and Financial Systems 2nd edition Kids Test Bank

SKU: 9781635632644-TEST-BANK

Chapter 1 Banking Basics

MATCHING

Match each bank with the phrase that best describes it. Answers are used only once.

A. central bank
B. commercial bank
C. community bank
D. independent bank
E. Internet bank
F. interstate bank
G. investment bank
H. money center bank
I. national bank
J. retail bank
K. unit bank

1. Has offices across the country.
2. Used by large companies to acquire financing.
3. Helps companies to become publicly traded companies.
4. Focuses on business customers.
5. Focuses on consumer needs.
6. Has branches across a few states in the same region.
7. Has only one location.
8. Oversees a country's banking system.
9. Has no physical location.

1. ANS: I PTS: 1
2. ANS: H PTS: 1
3. ANS: G PTS: 1
4. ANS: B PTS: 1
5. ANS: J PTS: 1
6. ANS: F PTS: 1
7. ANS: K PTS: 1
8. ANS: A PTS: 1
9. ANS: E PTS: 1

TRUE/FALSE

1. Another name for a check card is a credit card.

   ANS: F PTS: 1

2. A bank's charter details how the bank is to be operated and how it will be regulated.

   ANS: T PTS: 1

3. Home banking is another name for online banking.

   ANS: T PTS: 1

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4. Transactional online banking is the ability to review information.

   ANS: F PTS: 1

5. Banking apps allow you to handle certain financial transactions from your home computer.

   ANS: F PTS: 1

6. Reserves are a percentage of a bank's funds that must be held separately to ensure that the money will be available when customers want to get money from their accounts.

   ANS: T PTS: 1

7. National banks are not members of the Federal Reserve System.

   ANS: F PTS: 1

8. A banker's blanket bond insures depositors in case of bank failure.

   ANS: F PTS: 1

9. The Federal Reserve Bank is the largest automated clearinghouse.

   ANS: T PTS: 1

10. Bank charters are issued by local governments.

    ANS: F PTS: 1

11. ATMs are a form of self-service banking.

    ANS: T PTS: 1

12. Banks are the only institutions that can transfer funds.

    ANS: F PTS: 1

13. Because of FDIC, no customers have lost funds due to bank closings in recent years.

    ANS: T PTS: 1

14. An automated clearinghouse is an electronic network for financial transactions.

    ANS: T PTS: 1

15. Businesses do not borrow from banks.

    ANS: F PTS: 1

16. Financial transactions have no impact on economic growth.

    ANS: F PTS: 1

MULTIPLE CHOICE

1. Unit banks are usually found ____.
   A. internationally
   B. across a state
   C. in small towns
   D. in urban areas

   ANS: B PTS: 1

2. Which of the following banks control the money supply?
   A. Central
   B. Commercial
   C. Investment
   D. Money center

   ANS: A PTS: 1

3. Which of the following is *not* one of the three basic categories of services offered by banks?
   A. Deposit
   B. Loan
   C. Safekeeping
   D. Withdrawal

   ANS: D PTS: 1

4. An immediate money transfer from one person to another is conducted through ____.
   A. ACHs
   B. apps
   C. EFTs
   D. P2Ps

   ANS: D PTS: 1

5. Which of the following *cannot* be done at an ATM?
   A. Receive cash
   B. Make deposits
   C. Apply for a loan
   D. View account balances

   ANS: C PTS: 1

6. What is the major source of revenue for most banks?
   A. Debit cards
   B. Deposits
   C. Interest from loans
   D. Investments

   ANS: C PTS: 1

7. An institution that acts as a middleman in financial transactions is a(n) ____.
   A. automated clearinghouse
   B. charter
   C. depository institution
   D. financial intermediary

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ANS: D PTS: 1

8. Which of the following is an example of non-transactional banking?
   A. Applying for loans
   B. Downloading bank statements
   C. Paying bills
   D. Transferring funds

   ANS: B PTS: 1

9. Banks can do all of the following *except* ____.
   A. print money
   B. lend money
   C. keep track of money
   D. issue money

   ANS: A PTS: 1

10. A bank that lends money when a commercial bank is unable to is a(n) ____ bank.
    A. central
    B. investment
    C. money
    D. national

    ANS: A PTS: 1

11. The FDIC insures each depositor up to ____.
    A. $50,000
    B. $100,000
    C. $250,000
    D. $500.000

    ANS: C PTS: 1

12. Which banks have been hardest hit by the global financial crisis?
    A. Retail
    B. Internet
    C. Interstate
    D. Money center

    ANS: D PTS: 1

13. A banker's blanket bond covers all of the following except ____.
    A. bank failure
    B. bank robbery
    C. embezzlement
    D. employee theft

    ANS: A PTS: 1

COMPLETION

1. A(n) _____ institution is any organization that provides services for money.

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ANS: financial

PTS: 1

2. In the United States, banks are owned by _____.

ANS:
corporations
individuals

PTS: 1

3. Using bulletproof glass for teller windows is an example of a bank's _____ function.

ANS: safekeeping

PTS: 1

4. _____ is the term used when banks are owned by the government.

ANS: Nationalization

PTS: 1

5. Foreign exchange services may be provided at a(n) _____ bank.

ANS: commercial

PTS: 1

SHORT ANSWER

1. What would be the impact on the economy if banks did not provide the electronic transfer and payment services?

ANS:
The economy would slow down.

PTS: 1

2. What can a bank purchase to protect itself from losses due to a robbery?

ANS:
A banker's blanket bond

PTS: 1

3. What would be the first effect on businesses if banks did not extend credit needed by consumers to purchase their items?

ANS:
Businesses would not be able to sell their inventory.

PTS: 1

4. For whom are bank loans the primary source of credit?

   ANS:
   Businesses and individuals

   PTS: 1

5. What does the FDIC insure against?

   ANS:
   Bank failure

   PTS: 1

6. How do banks make money on loans?

   ANS:
   By charging interest at a higher rate than that paid to depositors

   PTS: 1

7. What is created by the extension of credit?

   ANS:
   Revenue and jobs

   PTS: 1