

Chapter 10 Workpacket Money and Banking

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

- _____ 1. Which of the following is an example of a barter system?
- Instead of paying rent, you clean the house for the owner.
 - Instead of paying cash for a computer, you use a credit card.
 - Instead of paying the full amount for a car, you pay 10 percent in cash and pay for the rest in monthly installments.
 - Instead of paying for a purchase in Mexico in pesos, you use dollars from the United States.
- _____ 2. Which of the following is an example of money as a unit of account?
- purchasing a toy for \$8.99
 - lending a friend \$25.00
 - opening a savings account at a bank
 - checking the price of a camera at several stores before buying it at the lowest price
- _____ 3. Which of the following is the main disadvantage of using shells as money instead of coins?
- durability
 - portability
 - uniformity
 - divisibility
- _____ 4. Which of the following is an example of representative money?
- a fur coat
 - diamonds
 - gold earrings
 - an IOU note
- _____ 5. What is the purpose of the Federal Deposit Insurance Corporation (FDIC)?
- to make sure that banks do not fail
 - to make sure that customers do not lose money if a bank fails
 - to make sure that banks charge a fair amount of interest on loans
 - to make sure that the government has enough gold to cover its expenses
- _____ 6. What did the Federalists believe about banking?
- They believed that the banking system already in existence was sufficient.
 - They believed an international banking system would be best.
 - They believed that a centralized banking system was necessary.
 - They believed that state governments should own and run the nation's banks.
- _____ 7. What occurred during the Free Banking Era?
- Currency varied widely from state to state.
 - Repaying of loans was not closely monitored.
 - The Second Bank of the United States was established.
 - The dollar bill was introduced.
- _____ 8. What were "greenbacks"?
- paper currency used by the Confederacy during the Civil War
 - privately issued currency used by the Union during the Civil War
 - copper coins used by the Confederacy during the Civil War
 - commodity money used by the Union during the Civil War
- _____ 9. What is a mortgage used to purchase?
- car
 - real estate
 - college tuition
 - business expenses

Name: _____

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- _____ 10. Which of the following is NOT an example of a liquid asset?
- a. cash
 - b. travelers' checks
 - c. a certificate of deposit
 - d. a checking account
- _____ 11. Why is using coins as money easier than using gold bars?
- a. coins are more durable
 - b. coins are more portable
 - c. coins are more uniform
 - d. coins are more limited in supply
- _____ 12. What happens during a bank run?
- a. The government orders a bank to close.
 - b. States charter more banks than needed.
 - c. The price of gold suddenly increases.
 - d. More customers withdraw money than the bank has on hand.
- _____ 13. What condition is necessary for a fiat money system to work?
- a. Money owed must be paid on time.
 - b. The government must control the money supply.
 - c. Banks must hold sufficient gold to cover any paper money they give out.
 - d. Customers with checking accounts cannot earn interest on those accounts.
- _____ 14. What happens when you make a purchase using a credit card?
- a. The credit card issuer pays the store.
 - b. The money is immediately deducted from your account.
 - c. The amount of the purchase is deducted from a prepaid account.
 - d. The place where you made the purchase receives the money within 24 hours.
- _____ 15. What is the largest source of income for banks?
- a. the interest they receive from loans
 - b. fees charged to customers for accounts
 - c. money deposited in savings accounts
 - d. special accounts such as NOW accounts
- _____ 16. Which of the following was NOT a cause of the Savings and Loan crisis of the 1980s?
- a. bad loans
 - b. the gold reserve act
 - c. high interest rates
 - d. deregulation of the industry
- _____ 17. Which of the following is NOT an example of M1 money?
- a. currency
 - b. a mutual fund
 - c. travelers' checks
 - d. a checking account

Name: _____

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Matching

Identifying Key Terms

Match each term with the correct statement below.

- a. currency
- b. commodity money
- c. default
- d. Federal Deposit Insurance Corporation (FDIC)
- e. Federal Reserve System
- f. fiat money
- g. interest
- h. money market mutual fund
- i. principal
- j. representative money

- _____ 18. money that has value because the government has ordered that it is an acceptable means to pay debts
- _____ 19. the central banking system of the United States
- _____ 20. failure to pay back a loan
- _____ 21. the amount of money borrowed
- _____ 22. coins and paper bills used as money
- _____ 23. the price paid for the use of borrowed money
- _____ 24. objects that have value in themselves and that are also used as money
- _____ 25. money pooled from small investors and used to purchase government or corporate bonds