

Name: _____
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Eco and Gov/ _____

Banking Quiz

Part I: Identify the choice that best completes the statement or answers the question and write the correct letter on the line provided.

1. _____ Barter is
 - a. A means for comparing the values of goods and services.
 - b. The direct exchange of one set of goods or services for another.
 - c. Anything that serves as a medium of exchange, a unit of account, and a store of value.
 - d. Something that keeps its value if it is stored rather than used.
2. _____ The central banking system for the United States that was set up in 1913 is known as the
 - a. Central bank system.
 - b. Member bank system.
 - c. National bank system.
 - d. Federal Reserve System.
3. _____ For a traveler, paper currency would be preferable to coins because of
 - a. Limited supply.
 - b. Acceptability.
 - c. Uniformity.
 - d. Portability.
4. _____ What is the name for a monetary system in which paper money and coins are equal to the value of a certain amount of gold?
 - a. Federal Reserve note
 - b. Federal Reserve System
 - c. greenback
 - d. gold standard
5. _____ A bank that belongs to the Federal Reserve System is called a
 - a. Central bank.
 - b. Member bank.
 - c. National bank.
 - d. Local bank.
6. _____ The government agency that covers customer deposits if a bank fails is the
 - a. Federal Reserve System.
 - b. Central bank.
 - c. Member bank.
 - d. Federal Deposit Insurance Corporation (FDIC).
7. _____ The higher the potential return, the
 - a. Higher the liquidity of an investment.
 - b. Higher the time risk for an investment.
 - c. Higher the risk for an investment.
 - d. Higher the inflation risk for an investment.
8. _____ Spreading out investments to reduce risk is
 - a. A financial system.
 - b. A financial intermediary.
 - c. A financial asset.
 - d. Diversification.

9. _____ A fund that pools the savings of many individuals and invests this money in a variety of stocks, bonds, and other financial assets is called a(n)
- Mutual fund.
 - Investment.
 - Financial system.
 - Prospectus.
10. _____ Which of the following types of assets represents ownership interest in a corporation?
- Options.
 - Futures.
 - Stocks.
 - Bonds.
11. _____ An investor who owns stocks in many different companies would most likely see a rise in the overall value of her portfolio during a
- Bull market.
 - Bear market.
 - Capital gain.
 - Dividend growth.
12. _____ Which of the following is a nickname for the headquarters of the stock market in the United States?
- Wall Street
 - Traders Row
 - Business Boulevard
 - The Marketplace
13. _____ Which of the following are the names given to the two types of stock purchasers?
- Bulls and Lions
 - Bulls and Lambs
 - Bulls and Bears
 - Tigers and Bulls
14. _____ Which of the following people help investors decide on the best stocks to buy?
- Stock sellers
 - Financial Advisors
 - Money Traders
 - Stock Managers
15. _____ In which of the following cities in the United States is the headquarters of the stock market located?
- Boston
 - Dallas
 - Los Angeles
 - New York
16. _____ Which of the following is the name for the unit of ownership of a company a person can buy?
- Stock
 - Trade
 - Profit
 - Bull
17. _____ Which of the following is NOT a reason a company might want to sell stock to investors?
- They want to hire more employees.
 - They want to create new products.
 - They want to sell the company .
 - They want to build a warehouse.

18. _____ A low-rated, potentially higher-paying bond is a
- a. Savings bond.
 - b. Municipal bond.
 - c. Corporate bond.
 - d. Junk bond.
19. _____ The interest rate that a bond issuer will pay to a bondholder is the
- a. Maturity.
 - b. Coupon rate.
 - c. Par value.
 - d. Yield.
20. _____ Which of the following is not an advantage of investing in bonds?
- a. Bondholders receive their payments before shareholders can be compensated.
 - b. Bonds have unlimited profit potential.
 - c. Bond investments are relatively safe from large losses.
 - d. Bonds are good sources of current income.

Part II. Answer the following questions in COMPLETE sentences

21. What is a bank?

22. What is the primary difference between saving and investing?

23. Why must an investor diversify his investments?

24. What is the relationship between risk and profit?

25. What is the difference between a bull market and a bear market?
