
BANKING & FINANCIAL SYSTEMS

Overview

Understanding how financial institutions operate is important to successful business ownership and management, as well as to personal financial success. This event provides recognition for FBLA members who have an understanding of and skills in the general operations of the various components of the financial services sector.

This is a team event composed of two or three members. This event consists of two parts: an objective test and a performance. The objective test is taken collaboratively by the team members and the top ten (10) teams scoring the highest on the objective test will advance to the final round and participate in the performance component.

Competencies and Task Lists

<http://www.fbla-pbl.org/docs/ct/FBLA/BANKINGANDFINANCIALSYSTEMS.pdf>

Web Site Resources

- Basics of Banking and Saving
<http://monev.cnn.com/magazines/monevmaq/monev101/lesson3/index.htm>
- FDIC Quick Links for Consumers & Communities
<http://www.fdic.gov/quicklinks/consumers.html>
- Federal Reserve Education Page
<http://www.federalreserveeducation.org/>
- Equifax
<http://www.equifax.com>
- Experian
<http://www.experian.com>
- Transunion
<http://www.transunion.com>

BANKING & FINANCIAL SYSTEMS SAMPLE QUESTIONS

1. What is the difference between what a bank pays in interest and what it receives in interest?
 - a. income
 - b. profit
 - c. spread
 - d. revenue
2. A Coverdell ESA is an investment vehicle created for the purpose of what type of funding?
 - a. retirement
 - b. medical expenses associated with a major illness or a chronic condition that is expensive to treat
 - c. the purchase of a home
 - d. future education costs
3. Current income tax laws provide reduced tax rates for:
 - a. short-term capital gains
 - b. interest earned on money market accounts
 - c. qualifying dividends from U. S. corporations
 - d. self-employment earnings

-
-
4. The gold-colored U.S. dollar coin features the likeness of:
 - a. Pocahontas
 - b. Sacajawea
 - c. Eleanor Roosevelt
 - d. Susan B. Anthony
 5. Nigel Smythe noticed that the price of British pounds in Hong Kong was lower than the price in Tokyo. He purchased two million British pounds in Hong Kong at \$1.79 per pound, and he immediately resold them on the Tokyo currency exchange for \$1.87 a piece. This transaction is an example of the financial practice known as:
 - a. options exchanging
 - b. arbitrage
 - c. currency manipulation
 - d. market speculation
 6. People who do **not** want to have their individual federal and (in most states) state income tax returns prepared by a CPA or tax consultant can use software to do the job. These programs "interview" the users and guide them through the process of preparing the return(s). The two most popular individual tax preparation programs are:
 - a. *TaxCui* and *Turbo Tax*
 - b. *ProTax* and *Quicken for Taxes*
 - c. *Microsoft Tax Advisor* and Commerce Clearing House's *Personal Tax Planner*
 - d. *SimpleTax* and *Personal Tax Assistant*
 7. Farrakesh Hassan of Top Flight Printing has seen his business insurance costs rise quickly over the past few years. He has struggled with the decision about whether or not to purchase a special rider for an old lithograph or use the money for other purposes. After some study, Farrakesh has decided that he can build a special storage area for the machine that will protect it enough to forego the additional insurance. Mr. Hassan has made the decision to:
 - a. assume the risk
 - b. assign the risk
 - c. co-insure the risk
 - d. alienate the risk
 8. Sven Jonssen just received a bill from Higher Wattage Electric, a local electrician, for \$600. This includes \$175 for "completed" work that has been questioned by the local electrical inspector. Within a few days after the bill came, Sven wrote a letter to Higher Wattage stating that he does not believe that he should be billed for work that did not pass inspection. According to the Fair Credit Billing Act:
 - a. Higher Wattage must respond to his letter within 30 days. Sven does not have to pay the \$175, nor can finance charges be assessed on this amount, until the dispute has been settled.
 - b. Within ten days, Higher Wattage is responsible for setting up a binding arbitration with Sven that will resolve the matter. Sven owes the \$425 in the meantime, but Higher Wattage cannot collect the \$175 until a neutral third party has arbitrated the matter.
 - c. No amount is due until the dispute over the \$175 is settled. However, if it is determined that Sven must pay the amount, finance charges can be assessed on the entire amount.
 - d. Sven must still pay the \$600, even if Higher Wattage responds to his letter within the required 60 days from the time the firm received Sven's letter.
 9. Which one of the following is **true** about Treasury securities?
 - a. The interest rate on Treasury bills is usually higher than that paid on Treasury bonds.
 - b. Treasury bonds mature in less time than do Treasury notes.
 - c. Treasury bills are usually sold in \$1,000 and \$10,000 denominations.
 - d. Treasury bonds mature in more than ten years and are issued in minimum denominations of \$1,000.

-
-
10. What type of companies are Charles Schwab, Ameritrade, E-Trade, and Scottrade?
 - a. business insurance companies
 - b. full-service stock brokerages
 - c. national real estate firms
 - d. discount securities brokerages
 11. Recent banking legislation allows payees to convert the checks they receive when people pay their bills by check into:
 - a. ATM cards
 - b. electronic debits
 - c. secured credits
 - d. secondary endorsements
 12. One of the characteristics of a "growth" stock is that:
 - a. the corporation issuing the stock retains most, if not all, of its earnings so it can reinvest in the business
 - b. stockholders usually receive a high percentage yield in the form of dividends that rise slowly but surely over time
 - c. there are very large amounts of stock outstanding and the company issuing the stock has been in operation for a long time
 - d. the price of the stock is relatively stable
 13. Stockholders' equity is the difference between:
 - a. current assets and long-term liabilities
 - b. net sales and operating expenses
 - c. assets and liabilities
 - d. operating earnings and dividend payouts
 14. The alternative minimum tax has become controversial because many more middle-income taxpayers have to pay it. The original purpose of the alternative minimum tax was to:
 - a. allow those in the lowest tax brackets to pay taxes at a lower minimum rate than required by the calculation in the tax tables and rate schedules
 - b. require those with substantial amounts of income either not taxed or taxed at lower rates to pay at least a minimal amount of income tax
 - c. ensure that taxpayers with high itemized deductions (for such expenses as mortgage interest, property taxes, medical expenses not covered by insurance, and charitable contributions) pay their fair share
 - d. help people in the highest income tax brackets reduce their tax liability
 15. What was the most common medium of exchange in colonial America?
 - a. coins
 - b. checks
 - c. paper money
 - d. pieces of gold and silver
 16. If there is too much money moving in the economy:
 - a. prices may rise, causing inflation
 - b. unemployment will probably rise
 - c. prices will fall, causing widespread business failure
 - d. unemployment will probably decline
 17. Generally speaking, housing costs should **not** exceed _____ of gross monthly income.
 - a. 10 to 15 percent
 - b. 50 percent
 - c. 25-28 percent
 - d. 36-40 percent

-
-
18. The National Currency Act of 1863 did all of the following **except**:
- a. establish the basic banking system in use today
 - b. establish standards for currency
 - c. made the printing of state bank notes unprofitable
 - d. taxed state banks
19. Which one of the following governing documents lists interest rates in effect at the time for various types of accounts?
- a. fee schedules
 - b. deposit rate schedules
 - c. account rules
 - d. disclosure statements
20. Rules covering transactions conducted at ATMs, preauthorized transfers into and out of a customer's checking account, and involving a consumer's liability for unauthorized use of a debit card are established under:
- a. Electronic Banking Transactions Act
 - b. Expedited Funds Availability Act
 - c. Right to Financial Privacy Act
 - d. Electronic Funds Transfer Act
21. A check that is dated six months or more before it is presented for payment or deposit is called a(n):
- a. stale check
 - b. overdraft check
 - c. post-dated check
 - d. bounced check
22. Which one of the following features of a check indicates who is to receive the funds?
- a. the memo
 - b. the payee
 - c. the signature
 - d. the bearer
23. A legal claim a lender has on property to secure a debit is called:
- a. collateral
 - b. a lien
 - c. an accelerated clause
 - d. a garnishment
24. Which one of the following bank collection services allows accounts receivable payment to be sent directly to the bank?
- a. lockbox service
 - b. zero-balance accounts
 - c. automated clearing house network
 - d. automatic draft
25. What is considered a result of competition among banks?
- a. more services are available to consumers
 - b. consumers have less services available to them
 - c. more banks exist now than a decade ago
 - d. the trend toward mergers in the banking industry has slowed

-
-
26. Which one of the following accounts are you least likely to encounter at a modern bank?
- a. checking account
 - b. passbook savings account
 - c. money market account
 - d. certificate of deposit
27. A trust officer of a bank is responsible for:
- a. administering probate, custody, and adoptions
 - b. administering estate, custody, and individual trust accounts
 - c. administering estate, probate, and individual trust accounts
 - d. administering estate, adoptions, and individual trust accounts
28. When is a reverse mortgage is repaid:
- a. when the borrower dies
 - b. in one single large payment at a specific time
 - c. by the bank of the borrower
 - d. over the term of loan
29. A(n) _____ loan is a loan for which the amount of the payments, the rate of interest, and the number of payments are fixed.
- a. secured
 - b. home equity
 - c. installment
 - d. business
30. _____ is generally defined as the computer to computer exchange of business information through a standard interface.
- a. Automated Clearing House
 - b. Electronic Funds Transfer
 - c. Electronic Data Interchange
 - d. Deposit Services

BANKING & FINANCIAL SYSTEMS SAMPLE INTERACTIVE CASE STUDY

Procedures for Case Study

- Review the Competitive Events Tips on pages 5-6 in the guide.
- Teams will be sequestered.

CASE STUDY SCENARIO

You are to assume the role of a college student applying for your first automobile loan. You have completed the loan application with Apolynn Bank. The application included your personal information, bank account information (checking and savings), and your job status and income.

Apolynn Bank is a locally owned bank in your town. The bank employs three (3) personal bankers who you will be working with to obtain your automobile loan. Although you have held a job at Walgreen's for three years, you do not have a credit rating (you have never taken out a loan or used a credit card). Also, you still live with your parents and intend on doing so until college graduation. You do not have student loans; however, you also do not have any other equity (real property). The car you have chosen is a new Chevrolet Camaro; the blue book value is \$31,000 and your personal banker explains that the maximum the bank can loan is 80 percent of the blue book value (to compete with local banks Apolynn Bank has been known to extend loans of great value than their policy to compete with larger banks). You have saved \$5,500 towards a down payment on your car. Your monthly payment would be \$321 per month. Your gross income is \$1,045 per month.

Your task is to explain to the banker(s) why you should be given an automobile loan from his/her bank. List the positives and negatives of the bank extending a loan to you at this time.

The banker (judge) will speak to the student(s) in his office. The banker Gudge) will begin by asking you what reasons you can provide that would help the bank decide whether or not to take a risk by extending you a loan. Once you have completed your presentation and answered the banker's (judge's) questions, the banker will conclude the meeting by thanking you for your input.

Accounting I Answer Key

1) C	11) D	21) B
2) C	12) D	22) B
3) C	13) C	23) A
4) C	14) C	24) D
5) D	15) D	25) A
6) B	16) A	26) B
7) D	17) D	27) B
8) A	18) D	28) B
9) C	19) C	29) D
10) A	20) D	30) C

Accounting II Answer Key

1) D	11) D	21) D
2) A	12) A	22) A
3) B	13) D	23) A
4) D	14) C	24) D
5) D	15) A	25) B
6) C	16) C	26) A
7) A	17) C	27) A
8) B	18) C	28) B
9) B	19) D	29) D
10) A	20) D	30) A

Banking & Financial Systems Answer Key

1) C	11) B	21) A
2) D	12) A	22) B
3) C	13) C	23) B
4) B	14) B	24) A
5) B	15) A	25) A
6) A	16) A	26) B
7) A	17) C	27) B
8) A	18) A	28) A
9) D	19) B	29) C
10) D	20) C	30) C

Business Calculations Answer Key

1) C	11) A	21) A
2) B	12) A	22) A
3) B	13) B	23) D
4) D	14) D	24) D
5) C	15) A	25) C
6) B	16) A	26) A
7) A	17) B	27) C
8) D	18) C	28) D
9) D	19) A	29) C
10) A	20) A	30) C

Business Communication Answer Key

1) A	11) D	21) B
2) B	12) B	22) C
3) A	13) A	23) C
4) B	14) A	24) C
5) C	15) B	25) B
6) C	16) A	26) D
7) C	17) A	27) C
8) C	18) D	28) D
9) D	19) C	29) A
10) D	20) B	30) C