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## BANKING & FINANCIAL SYSTEMS

### Overview

Understanding how financial institutions operate is important to successful business ownership and management. It also is valuable for 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 a team of two or three members and the top fifteen 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>

### Website Resources

- Basics of Banking and Saving - CNN Money  
<http://money.cnn.com/magazines/moneymag/money101/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>

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## BANKING & FINANCIAL SYSTEMS SAMPLE QUESTIONS

1. Which one of the following agencies does **not** protect or aid consumers against unsafe products?
  - a. Federal Insurance Commission
  - b. Food and Drug Administration
  - c. Consumer Product Safety Commission
  - d. Better Business Bureau

**Competency:** Ethics

2. When approving loans for new customers, it is important to follow the following anti-discrimination law:
  - a. Equal Rights Act
  - b. Equal Pay Act
  - c. Equal Credit Opportunity Act
  - d. Equal Credit Justification Act

**Competency:** Ethics

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3. What is the most common place identity theft occurs?

- a. recycling bins
- b. grocery store
- c. Internet
- d. shopping mall

**Competency:** Ethics

4. Which one of the following is typically **not** an example of a fixed expense in a budget?

- a. electricity payment
- b. car payment
- c. insurance payment
- d. rent payment

**Competency:** Terminology

5. Which one of the following is a service provided by a bank to ensure that an account holder does **not** make a debit that exceeds the amount in his/her account?

- a. overdraft protection
- b. account protection
- c. money protection
- d. debit protection

**Competency:** Terminology

6. Identify the condition that occurs when someone's liabilities are greater than his or her assets?

- a. intestate
- b. insolvency
- c. hazard
- d. leverage

**Competency:** Terminology

7. A person's adjusted gross income less any allowable tax deductions and \_\_\_\_\_ is called taxable income.

- a. exemptions
- b. credit
- c. expenses
- d. earnings

**Competency:** Terminology

8. The following are examples of deposit-type institutions **except**:

- a. credit unions
- b. investment companies
- c. savings and loans associations
- d. commercial banks

**Competency:** Terminology

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9. Which one of the following is a retirement plan designed for self-employed people?
- a. 403-B
  - b. Roth IRA
  - c. Keogh Plan
  - d. 401-K

**Competency:** Terminology

10. A person with the following skills is the best candidate for the position of financial software designer:
- a. a person who has an accounting background and great analytical skills
  - b. a person who has a computer science background as well as math skills
  - c. a person who has an accounting background as well as computer science background
  - d. a person who has a computer science background and great communication skills

**Competency:** Careers in Financial Services

11. If your career goal is to become a Commercial Loan Officer, which one of the following is the least likely major you would select to obtain a bachelor's degree?
- a. finance
  - b. marketing sales and service
  - c. accounting
  - d. economics

**Competency:** Careers in Financial Services

12. Birth certificates, title deeds, and certificates of deposit should be kept in:
- a. safe-deposit boxes
  - b. computer files
  - c. home files
  - d. in a drawer in a desk

**Competency:** Concepts & Practices

13. Which one of the following is **not** a section on the Cash Flows Statement?
- a. Cash Flows from Bank Activities
  - b. Cash Flows from Operating Activities
  - c. Cash Flows from Investing Activities
  - d. Cash Flows from Financing Activities

**Competency:** Concepts & Practices

14. Most bank tellers must have a certificate from which organization before becoming a bank teller?
- a. Association of Banks and Investments (ABBI)
  - b. American Banking Association (ABA)
  - c. Bank Certification Association (BCA)
  - d. American Institute of Banking (AB)

**Competency:** Concepts & Practices

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15. Eliminating deposit insurance has the primary disadvantage of:
- a. reducing the Federal Reserve amounts
  - b. reducing the stability of the banking system causing bank runs
  - c. not being able to trade with foreign countries
  - d. not being a politically correct thing to do

**Competency:** Concepts & Practices

16. Which term is used when one person agrees to be responsible for a loan if the primary person fails to make payments?
- a. co-signing
  - b. contractual arrangement
  - c. collateral
  - d. contract with creditors

**Competency:** Concepts & Practices

17. When handling customer inquiries, the most important thing to do is:
- a. judge the situation and person, then offer help
  - b. be creative to solve the problem
  - c. always follow policy and procedures
  - d. always think of a solution even if it is not protocol

**Competency:** Concepts & Practices

18. Which combination is the best way to physically protect employees and customers at the real time location such as a bank, lending office, or credit union?
- a. security guards, surveillance cameras, and motion detectors
  - b. off duty police officers as security guards, surveillance cameras, and bullet proof glass
  - c. off duty police officers as security guards, surveillance cameras, and auto safe locks
  - d. only offer drive through services

**Competency:** Government Regulation of Financial Services

19. Which one of the following occurred in the 1990s?
- a. the FDIC was created
  - b. the Comptroller of the Currency gave the Federal Reserve Bank final authority
  - c. interstate banking was allowed
  - d. laws were passed to eliminate local banks

**Competency:** Government Regulation of Financial Services

20. Which one of the following serves as the board to standardize financial planning across the United States?
- a. The Certified Financial Planner Board of Standards
  - b. The U.S. Board of Financial Planners
  - c. There is not a standardization of financial planning in the United States.
  - d. The American Board of Certified Public Planners

**Competency:** Government Regulation of Financial Services

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21. Who typically sets law or regulations regarding insurance companies?
- a. insurance companies only follow the same regulations as all businesses
  - b. the president of the National Insurance Commission
  - c. the state designated administrative officer such as the Commissioner of Insurance
  - d. insurance companies are not regulated

**Competency:** Government Regulation of Financial Services

22. Under the Federal Rules of Evidence, \_\_\_\_\_ documents created in the business environment are \_\_\_\_\_ in the court of law.
- a. no; admissible
  - b. only financial records; admissible
  - c. all; admissible
  - d. all except personal email; admissible

**Competency:** Government Regulation of Financial Services

23. With the increase of electronic financial records, what is the language that has been created to establish consistency among records?
- a. XBRL
  - b. XLAA
  - c. XAAL
  - d. EFRL

**Competency:** Impact of Technology on Financial Services

24. Which software is the most appropriate to use to create a balance sheet?
- a. Microsoft Access
  - b. Microsoft Excel
  - c. Microsoft Word
  - d. Microsoft Power Point

**Competency:** Impact of Technology on Financial Services

25. Which one of the following Java types is structured as **true** or **false**?
- a. Byte
  - b. Bit
  - c. Boolean
  - d. Long

**Competency:** Impact of Technology on Financial Services

26. In 2002, there was a six-rate tax system. The six-rates were divided into three categories. Which one of the following is **not** one of the three categories?
- a. heads of households
  - b. single taxpayers
  - c. married taxpayers
  - d. veteran taxpayers

**Competency:** Taxation

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27. An allowance is an adjustment to the tax withheld from your paycheck, based on your \_\_\_\_\_ and \_\_\_\_\_.

- a. marital status; number of dependents
- b. income level; tax bracket
- c. marital status; number of jobs
- d. income level; number of dependents

**Competency:** Taxation

28. An example of a recent and successful tax credit is:

- a. New Employee Tax Credit
- b. Cash for Clunkers Credit
- c. First Time Homebuyer Tax Credit
- d. High Income Housing Tax Credit

**Competency:** Taxation

29. The type of savings account that claims a good rate of return, low minimum deposit, and the fact that it is free from local and state taxes as benefits is a:

- a. Regular Savings Account
- b. U.S. Savings Bond
- c. Money Market Account
- d. Certificate of Deposit

**Competency:** Types and Differences of Institutions

30. A credit union is different from a commercial bank because it is:

- a. nonbinding
- b. nonprofit
- c. always free checking
- d. always small in terms of number of customers

**Competency:** Types and Differences of Institutions

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## **BANKING & FINANCIAL SYSTEMS SAMPLE CASE STUDY**

1. You have twenty minutes to review the case.
2. Presentation time is seven minutes. At six minutes the timekeeper will hold up a card indicating you have one minute left and at seven minutes the timekeeper will stand again.
3. The presentation is interactive with the judges who will ask questions throughout the presentation. Students will assume the role of a financial planner. The judges will play the role of the parents in the presentation and refer to the case for specifics.
4. You will be given two note cards per team member.
5. Cover all the points described in the case and be prepared to answer questions posed by the judges.
6. Have a plan in place as to which team member will answer various questions, based on that team member's area of expertise.
7. All members of the team must participate in the presentation, as well as answer the questions.

### **PERFORMANCE INDICATORS**

1. Select logical solution with positive and negative aspects of its implementation acknowledged (or presented)
2. Well organized and clearly stated thoughts and statements; appropriate business language used
3. Anticipate results based on correct reasoning
4. Demonstrate ability to effectively answer questions

### **TEAM CASE STUDY SITUATION**

You are to assume the role of a financial planner. Your clients visiting the office today are a young family with two children (ages six and eight) who recently inherited \$75,000. They want to invest their money in order to pay for their children's college education. The cost of attending college in their state is approximately \$30,000 a year. During the past five years, the cost of attending college in their state has risen 10 percent per year. They also would like to have the tax procedures for inheritance explained to them.

The two parents both have business degrees, so they have an adequate amount of knowledge about investing. The young family needs you to develop a strategy for looking at all the investment opportunities and identify all possible gain/loss risk and the potential for meeting the goal of paying for their two children to attend college. Assume that the children will attend college at age 18 and will attend college for only four years.

The parents (judges) will speak to the financial planner in the planner's office. The parents (judges) will begin by asking you what reasons you can provide that would make your investment plan the most logical for the family to follow if they would like to have enough money to send both children to college for four years. Once you have completed your presentation and

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answered the parents' (judges') questions, the parents will conclude the meeting by thanking you for your input and telling you that they will be "in touch".



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## OBJECTIVE TEST ANSWER KEYS

### Accounting I Answer Key

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

### Accounting II Answer Key

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

### Agribusiness Answer Key

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

### Banking & Financial Systems Answer Key

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