**Banking & Financial Systems - 2016 SLC**

1)  To discourage counterfeiting, the new $20 bill design includes color-shifting ink that changes from

A) blue to green when the note is tilted.

B) green to told when the note is tilted

C) copper to blue when the note is tilted.

D) copper to green when the note is tilted.

2)  Which of these is NOT a suggested way to prevent check fraud?

A) Leave no extra spaces on a check.

B) Have your social security number printed on your checks.

C) Reconcile your checking account regularly.

D) Sign a check in the presence of a teller.

3)  **Except** routine processing, this occupies more resources of the banking industry than any other activity.

A) employee benefits

B) fraud prevention

C) advertising

D) robbery prevention

4)  Junk e-mail is commonly referred to as

A) sting.

B) phish.

C) spam.

D) flame.

5)  This act of Congress places restrictions on loans by corporations to their executives.

A) Expedited Funds Availability Act of 1987

B) Check 21 Act of 2003

C) Sarbanes-Oxley Act of 2002

D) Homeland Security Act of 2002

6)  Austin and Delaney are opening a restaurant together. Delaney also works as a business loan officer at a local bank. Austin has applied to Delaney’s bank for a business loan for the restaurant, and Delaney is responsible for approving the loan. This is a clear example of a

A) conflict of interest.

B) confidentiality violation.

C) check kiting scheme.

D) money laundering scam.

7)  Which of these elements is not part of an illegal house flipping scheme?

A) a straw buyer

B) a fraudulent appraised that artificially inflates the value of the house

C) buying a house for below market value and selling it at or above market value

D) using a co-signer for a loan

8)  \_\_\_\_\_\_\_\_\_ is an illegal modification or reproduction of an instrument,

A) Counterfeiting

B) Check kiting

C) Forgery

D) Reconciliation

9)  The difference between what a bank pays in interest and what it receives in interest is called

A) gross interest income.

B) profit.

C) loss.

D) spread.

10)  Total assets minus total liabilities equals

A) return on assets.

B) return on equity.

C) equity.

D) loss.

11)  The common form of bank transaction account is a

A) certificate of deposit.

B) money market account.

C) savings account.

D) checking account.

12)  Liquidation bankruptcy that sells all non-exempt assets of debtor to pay off as many debts as possible is called

A) Chapter 7 bankruptcy.

B) Chapter 11 bankruptcy.

C) Chapter 13 bankruptcy.

D) Chapter 12 bankruptcy.

13)  The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 requires a business to come up with their reorganization and payment plan within

A) one year.

B) 60 days.

C) 120 days.

D) 180 days.

14)  Which of the following is NOT an element of negotiability?

A) must contain a signature

B) must be written

C) must state the amount to be paid

D) must be payable on demand

15)  Which of the following endorsements is the least secure?

A) full endorsement

B) blank endorsement

C) qualified endorsement

D) restrictive endorsement

16)  Which of the following is an example of a restrictive endorsement?

A) “For Deposit Only”

B) “Pay to the Order of Jill Anderson”

C) the signature of the holder

D) “Pay to the Order of Tiffany Peters, without recourse”

17)  The 9-digit number printed on a check that identifies the bank that holds the checking account and is responsible for payment is called the

A) NSF number.

B) check number.

C) account number.

D) routing/transit number.

18)  Which of the following elements of the FICO credit-scoring system carries the most weight?

A) new credit

B) types of credit

C) payment history

D) length of credit history

19)  Documentation of most credit problems stays in a consumer’s file for at least

A) one year.

B) seven years.

C) five years.

D) six months.

20)  A point is a value equal to \_\_\_\_ of a mortgage loan.

A) 10 percent

B) 2 percent

C) 5 percent

D) 1 percent

21)  A reverse mortgage is repaid

A) in one single large payment at a specified point.

B) when the borrower dies.

C) over the term of the loan, typically 30 years

D) by the bank to the borrower.

22)  The final step of the mortgage approval process is

A) closing.

B) underwriting.

C) drawing documents.

D) recording.

23)  Which of the following types of lending accounts for the largest dollar market?

A) commercial lending

B) government lending

C) consumer lending

D) mortgage lending

24)  Which of the following type of business loan is often packaged with a real estate loan?

A) operations loan

B) automobile loan

C) equipment loan

D) construction loan

25)  Equipment loans are often tied to all of the following except

A) the equipment itself.

B) redevelopment of the business’s real estate.

C) the financial position of the borrower.

D) the business’s overall cash flow.

26)  A form of asset-based lending that advances cash to a business in exchange for its receivables is called

A) factoring.

B) leasing.

C) a line of credit.

D) a bridge loan.

27)  Which of the following is not a required payroll deduction?

A) federal income tax

B) Medicare

C) monthly amount committed to the Red Cross

D) social security taxes

28)  Individuals who you financially support in your household are called

A) tax shelters.

B) dependents.

C) exemptions.

D) heirs.

29)  Exemptions

A) increase your tax liability.

B) are no longer available for tax relief.

C) reduce or entirely eliminate your obligation to pay tax.

D) are individuals who do not earn enough to pay income taxes.

30)  All of the following types of insurance protect against personal risk except

A) property insurance.

B) health insurance.

C) disability insurance.

D) life insurance.

31)  Which type of life insurance has coverage for a limited amount of time?

A) mutual

B) term

C) whole

D) universal

32)  \_\_\_\_\_\_\_\_ loans offered by retail banks do not require collateral.

A) Balloon loans

B) Unsecured loans

C) Secured loans

D) Line of credit

33)  A line of credit is

A) a Master Card or Visa offered by a bank.

B) must be backed by collateral.

C) is not readily available to the bank customer.

D) a pool of available money that you can borrow.

34)  A public employment event at which a bank can present employment opportunities to a large number of people at one time is called a

A) job interview.

B) vocational carnival.

C) trial run.

D) job fair.

35)  Which of the following is NOT a typical duty of a bank teller?

A) balance the cash drawer daily

B) sell savings bonds

C) prepare currency and coin for retail customers

D) manage large sums of money placed in trust with the bank according to clients’ wishes

36)  Which of the following is a title typically held by a bank officer?

A) controller

B) job analyst

C) marketing coordinator

D) bookkeeper

37)  Which of the following is NOT a functional department of a bank?

A) personal banking department

B) human resources department

C) financial planning department

D) trust department

38)  This bank department provides financial and investment services to individuals and institutions.

A) brokerage department

B) insurance department

C) consumer lending department

D) trust department

39)  The most complex bankruptcy filing in which the debtor continues to maintain ownership and tries to work out a reorganization plan to pay off creditors is

A) Chapter 12 bankruptcy.

B) Chapter 2 bankruptcy.

C) Chapter 11 bankruptcy.

D) Chapter 7 bankruptcy.

40)  Which of the following is considered a liability for a bank?

A) deposits

B) computers

C) loans

D) investments

41)  Which of the following would be considered a secondary reserve for a bank?

A) the reserve percentage required by the Federal Reserve System

B) securities the bank has purchased from the Federal government

C) deposits that may be due from other banks

D) cash the bank has on hand

42)  The interest rate the Federal Reserve charges for loans to member banks is called the

A) treasury rate.

B) market rate.

C) prime rate.

D) discount rate.

43)  The Federal Reserve influences the federal funds rate by

A) adjusting the reserve requirement.

B) lowering the discount rate.

C) buying and selling government securities.

D) regulating banks.

44)  Which of the following is NOT a function of the Federal Reserve?

A) handling the government’s central banking function

B) levying a high tax on state bank notes

C) conducting bank examinations

D) determining whether banks can borrow money from the Federal Reserve

45)  The rate of interest the Federal Reserve charges banks for short-term loans is called the

A) discount rate.

B) prime rate.

C) reserve requirement rate.

D) federal funds rate.

46)  If the government restricts the flow of cash into the economy too severely,

A) consumers cannot afford to borrow.

B) businesses will have more money to invest.

C) employment will rise dramatically.

D) businesses will expand operations.

47)  What is the most important skill to successfully serve customers?

A) listening

B) negotiating

C) calculating

D) speaking

48)  Which financial statement shows your net worth?

A) budget

B) cash flow statement

C) balance sheet

D) income statement

49)  Which financial statement shows net profit or loss?

A) income statement

B) budget

C) balance sheet

D) cash flow statement

50)  The \_\_\_\_\_ regulates and supervises banks.

A) Federal Reserve

B) Congress

C) State governments

D) Board of Governors

51)  Which financial statement is based on the accounting equation?

A) income statement

B) budget

C) cash flow statement

D) balance sheet

52)  Which of the following is not one of the C’s of credit considered in the loan process?

A) current economy

B) collateral

C) character

D) capacity

53)  On a FICO score, new credit is rated based on

A) whether accounts are past due or paid as agreed.

B) the number of recently opened accounts and the number of recent credit inquiries.

C) the average age of all of a consumer’s credit accounts.

D) the mix of credit accounts a consumer has.

54)  This law requires lenders to fully inform consumers about all costs of a credit purchase before an agreement is signed.

A) the Fair Credit Billing Act

B) the Equal Credit Opportunity Act

C) the Fair Credit Reporting Act

D) the Consumer Credit Protection Act

55)  Which of the following is NOT an example of a creditor’s responsibility to a consumer?

A) setting reasonable guidelines for credit use

B) making credit records available to consumers

C) contacting the consumer each month to verify that the bill is correct

D) honestly representing goods and services, including potential disadvantages

56)  What is the legal process where property used as collateral is sold to pay off a debt?

A) bankruptcy

B) defaulting

C) foreclosure

D) garnishment

57)  Which of the following is not a required payroll tax?

A) FICA

B) workers compensation

C) federal income tax

D) health insurance premium

58)  Which of the following is the least personalized strategy for a bank to keep in touch with customers?

A) bulk mailing

B) newsletter

C) e-mail blast

D) written thank you note

59)  What form is completed to make sure that a checking account is accurate?

A) cash flow statement

B) bank reconciliation

C) income statement

D) balance sheet

60)  What is the instrument given by a bank on behalf of a buyer to pay back the bank of the seller a given sum in a given time?

A) international IOU

B) promissory note

C) letter of credit

D) draft

61)  What is a debt instrument issued for a period of more than one year with the purpose of raising capital through borrowing?

A) certificate of deposit

B) stock

C) bond.

D) annuity.

62)  How much insurance coverage is provided by the FDIC for an individual customer account?

A) $500,000

B) $1,000,000

C) $100,000

D) $250,000

63)  What is the net profit received from doing business with a given customer during the time that the customer continues to do business with a bank?

A) the lifetime perception of the customer

B) the value of the customer

C) lifetime consumer value

D) the lifetime value of a customer

64)  Which of the following is part of the loyalty circle for a bank?

A) value creation

B) value perception

C) value

D) value loyalty

65)  Which of the following is a non-traditional marketing strategy?

A) loyalty marketing

B) service marketing

C) relationship marketing

D) quality marketing

66)  What is the process of moving a customer from a state of awareness of your banking products to becoming an advocate who is loyal to the bank?

A) the loyalty ladder

B) the service relationship model

C) the service model

D) the loyalty circle

67)  Maslow’s hierarchy of needs indicates what about people?

A) They are motivated by differing levels of needs.

B) Consumer behavior is a process.

C) They are motivated by free choice.

D) They are motivated by effective marketing.

68)  What years did state quarters begin and by which year had all the states been commemorated?

A) 1995 and 2005

B) 2000 and 2009

C) 1999 and 2008

D) 2001 and 2006

69)  To combat inflation, the government may institute any of the following policies EXCEPT

A) lower taxes.

B) tighten the money supply.

C) give out more credit.

D) allow interest rates to rise.

70)  A decline in total production lasting a minimum of two quarters defines

A) economic correction.

B) stagflation.

C) a recession.

D) a mortgage crisis.

71)  Money on deposit, minus \_\_\_\_\_\_\_, can be loaned by banks to customers.

A) the reserve requirement

B) primary reserves

C) cash on hand

D) excess reserves

72)  How many years must financial records be maintained?

A) 8 years

B) 10 years

C) 7 years

D) 5 years

73)  Which of the following statements is NOT true?

A) Bill collectors may not call debtors at odd hours.

B) If there is a billing dispute, creditors may not take adverse action until the dispute is resolved

C) Credit bureaus may not report information more than one year old.

D) A creditor may not use receipt of public assistance as a factor in determining credit worthiness.

74)  Which of the following is not an example of an agency that is focused on making banking safe and mutually beneficial across international borders?

A) President’s Working Group on Financial Markets

B) Asia Pacific Economic Cooperation

C) International Monetary Fund

D) Bank for International Settlement

75)  Which of the following is not part of the on-going organizational structure of the Federal Reserve?

A) Board of Governors

B) Member Banks

C) District Reserve Banks

D) Primary Dealer Credit Facility

76)  Which principals are not part of the Fair Debt Collection Practices Act?

A) collectors may not reveal collection actions to employers of debtors

B) collectors may not call debtors in a harassing manner

C) collectors may call debtors at work

D) third-party collectors may not use deceptive or abusive tactics as they try to collect overdue bills

77)  The physical security of a bank does not include

A) transportation security

B) locking devices

C) building design

D) employee friendliness

78)  Which act of Congress places restrictions on loans by corporations to their executives?

A) Check 21 Act of 2003

B) Sarbanes-Oxley Act of 2002

C) Homeland Security Act of 2002

D) Expedited Funds Availability Act of 1987

79)  It requires banks to record and report data on home lending in order to identify possible discriminatory patterns

A) Home Ownership and Equity Protection Act

B) Home Mortgage Disclosure Act

C) Community Reinvestment Act

D) Equal Credit Opportunity Act

80)  \_\_\_\_\_\_ is a type of software used to manage and grow your investments.

A) Excel

B) Quicken

C) Turbo tax

D) Database

81)  The most widely used computer management tool for financial forms is

A) PowerPoint.

B) database.

C) word processing.

D) spreadsheet.

82)  Which of the following is not an accurate statement about computer-generated graphs?

A) able to attract attention

B) amounts within 5% accuracy

C) honest

D) understandable

83)  A free money-management planning software is

A) Quicken

B) Moneydance

C) Microsoft Money

D) Turbo Tax

84)  What is the best safety precaution for maintaining financial records?

A) employing a secondary source for record management

B) manual account records

C) insuring all financial records against loss

D) maintaining a back-up system for all documents

85)  Banks that send bulk mailings to large numbers of customers use

A) Excel.

B) word processing.

C) Database.

D) PowerPoint.

86)  A financial planner uses \_\_\_\_\_\_\_ to incorporate bar graphs into a letter being sent to their clients.

A) excel

B) database

C) word processing

D) tables

87)  Computerized accounting uses \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that simulate a paper accounting worksheet.

A) database

B) worksheet

C) balance sheet

D) spreadsheet

88)  Which online service is **not** offered by financial institutions?

A) deposits

B) transfer of funds

C) All services can be done online

D) payments

89)  The largest source of government revenue in the United States is

A) excise taxes.

B) Social Security taxes.

C) tariffs.

D) income taxes.

90)  Single people earning less than $100,000 per year, will use the

A) 1040A Form.

B) 1040EZ Form.

C) 1040 Form.

D) W-2 Form.

91)  The employer or pension provider uses a \_\_\_\_ to calculate the amount of tax to deduct from your pay or pension.

A) Tax Rule

B) Tax Allowance

C) Tax Table

D) Tax Code

92)  Which of the following is an example of non-taxable income?

A) life insurance benefits

B) interest on a bank account

C) income earned in the public sector

D) alimony

93)  What was the result of the recent tax credit for first time home buyers?

A) fewer homes were sold recently than in the last year

B) more homes were sold recently than in the last year

C) fewer homes were bought than were sold in the country

D) there was no measurable result from the tax credit

94)  About 60 percent of the deposit and loan business in the United States is done by

A) retail banks.

B) commercial banks.

C) central banks.

D) credit unions.

95)  In the United States, banks and \_\_\_\_\_ work together to form the banking system and to ensure the money supply is adequate, appropriate, and trustworthy.

A) consumers

B) the government

C) industry

D) savings and loans

96)  Which of the following is a nondepository intermediary?

A) savings and loan association

B) insurance company

C) commercial bank

D) credit union

97)  Stockholders who expect a profit on their investments own

A) commercial banks.

B) credit union.

C) loan companies.

D) mutual savings banks.

98)  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_have individuals who execute orders to buy and sell stocks and other securities.

A) Commercial banks

B) Loan companies

C) Brokerage houses

D) Currency exchanges

99)  Investment banks

A) take customer deposits

B) are insured by the FDIC

C) primarily work in the investment markets

D) guarantee rate of return on the customer’s deposits

100)  Individuals receiving loans for assets they give to the institution at

A) commercial banks.

B) pawn shops.

C) credit unions.

D) retail banks.

2016 SLC Banking & Financial Systems Key

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| --- | --- |
| 1) | D |
| 2) | B |
| 3) | B |
| 4) | C |
| 5) | C |
| 6) | A |
| 7) | D |
| 8) | A |
| 9) | D |
| 10) | C |
| 11) | D |
| 12) | A |
| 13) | C |
| 14) | D |
| 15) | B |
| 16) | A |
| 17) | D |
| 18) | C |
| 19) | B |
| 20) | D |
| 21) | B |
| 22) | D |
| 23) | A |
| 24) | D |
| 25) | B |
| 26) | A |
| 27) | C |
| 28) | B |
| 29) | C |
| 30) | A |
| 31) | B |
| 32) | B |
| 33) | D |
| 34) | D |
| 35) | D |
| 36) | A |
| 37) | B |
| 38) | A |
| 39) | C |
| 40) | A |
| 41) | B |
| 42) | D |
| 43) | C |
| 44) | B |
| 45) | A |
| 46) | A |
| 47) | A |
| 48) | C |
| 49) | A |
| 50) | A |
| 51) | D |
| 52) | A |
| 53) | B |
| 54) | D |
| 55) | C |
| 56) | C |
| 57) | D |
| 58) | A |
| 59) | B |
| 60) | C |
| 61) | C |
| 62) | C |
| 63) | D |
| 64) | A |
| 65) | D |
| 66) | B |
| 67) | A |
| 68) | C |
| 69) | A |
| 70) | C |
| 71) | A |
| 72) | C |
| 73) | C |
| 74) | A |
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| 76) | C |
| 77) | D |
| 78) | B |
| 79) | B |
| 80) | B |
| 81) | D |
| 82) | B |
| 83) | A |
| 84) | D |
| 85) | C |
| 86) | A |
| 87) | D |
| 88) | C |
| 89) | D |
| 90) | B |
| 91) | D |
| 92) | A |
| 93) | B |
| 94) | B |
| 95) | B |
| 96) | B |
| 97) | A |
| 98) | C |
| 99) | C |
| 100) | B |