



# Test Bank for Bank Management and Financial Services, 9th Edition Peter S. Rose

Nguyên lý hoạt động ngân hàng (Trường Đại học Ngoại thương)

## Chapter 01

### An Overview of the Changing Financial-Services Sector

#### Fill in the Blank Questions

1. \_\_\_\_\_ is a traditional service provided by banks in which the banks store the valuables of their customers and certify their true value.  
\_\_\_\_\_
2. The fact that financial institutions monitor the financial condition of their borrowers by serving only as an agent on behalf of depositors is the \_\_\_\_\_ theory of banking.  
\_\_\_\_\_
3. \_\_\_\_\_ refers to when a financial institution trades one form of currency for another. An example of this would be when the bank trades dollars for yen.  
\_\_\_\_\_
4. A(n) \_\_\_\_\_ is a traditional service which permits a depositor to write a draft in payment for goods and services.  
\_\_\_\_\_
5. \_\_\_\_\_ is a service provided by banks where the bank lends money to individuals for the purchase of durable and other goods.  
\_\_\_\_\_
6. The \_\_\_\_\_ of a bank is a traditional service where the bank manages the financial affairs and property of individuals (and in some cases businesses).  
\_\_\_\_\_
7. Companies such as Merrill Lynch and Sears which offered some but not all banking services in the 1980s were called \_\_\_\_\_.  
\_\_\_\_\_
8. The loosening of government regulation and control of financial institutions is called \_\_\_\_\_.  
\_\_\_\_\_

9. \_\_\_\_\_ is an alternative to lending in which the financial institution purchases the equipment and rents it to its customers.
- \_\_\_\_\_
10. The \_\_\_\_\_ is a landmark act which allows financial service providers to offer an expanded menu of financial services for the customer. This law allows banks to truly become conglomerate financial service providers.
- \_\_\_\_\_
11. The country with the most banks is \_\_\_\_\_.
- \_\_\_\_\_
12. According to Congress, a \_\_\_\_\_ is defined as any institution that can qualify for deposit insurance administered by the FDIC.
- \_\_\_\_\_
13. A bank which spans regions, nations, and continents, offering the widest menu of financial services is known as a \_\_\_\_\_ bank.
- \_\_\_\_\_
14. \_\_\_\_\_ refers to the movement of businesses across industry lines in order to broaden its base.
- \_\_\_\_\_
15. Banks which serve primarily households and small firms are known as \_\_\_\_\_ banks.
- \_\_\_\_\_
16. Banks that sell deposits and make loans to businesses, individuals, and institutions are known as \_\_\_\_\_ banks.
- \_\_\_\_\_
17. Banks which underwrite issues of new securities on behalf their corporate customers are known as \_\_\_\_\_ banks.
- \_\_\_\_\_
18. Banks which function under a federal charter through the Comptroller of the Currency in the United States are known as \_\_\_\_\_ banks.
- \_\_\_\_\_

19. Banks which supply both debt and equity capital to businesses are known as \_\_\_\_\_ banks.
- \_\_\_\_\_
20. A bank that offers its services only over the Internet is known as a(n) \_\_\_\_\_.  
\_\_\_\_\_
21. When a local merchant sells the accounts receivables they hold against their customer to a bank this generally known as \_\_\_\_\_.  
\_\_\_\_\_
22. A(n) \_\_\_\_\_ offers loans to commercial enterprises (such as appliance dealers) and to individuals and families using funds borrowed in the open market or from other financial institutions.  
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23. A(n) \_\_\_\_\_ buys and sells securities on behalf of their customers and for their own accounts. Examples of this type of financial service provider include Merrill Lynch and Charles Schwab.  
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24. A(n) \_\_\_\_\_ sells shares mainly to upscale investors in a broad group of different kinds of assets including nontraditional investments in commodities, real estate, loans to new and ailing companies, and other risky assets.  
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25. When a bank agrees to handle the cash collections and disbursements for a company and invest any temporary cash surpluses in interest bearing assets, they are providing \_\_\_\_\_ services to their customers.  
\_\_\_\_\_

### True / False Questions

26. Under U.S. federal law, an institution making only loans to households and offering uninsured checkable deposits and savings deposits qualifies as a commercial bank.

True    False

27. Nonbank financial-service institutions can offer deposits to the public, but these deposits are not eligible for insurance coverage by the FDIC.

True False

28. The etymological roots of the word "bank" trace this word back to an Italian term referring to a "money-changer's table".

True False

29. According to the textbook, the largest banks tend to offer the widest range of services of any financial-service firm today.

True False

30. According to the delegated monitoring theory, the bank serves as an agent on behalf of its depositors, monitoring the financial condition of those customers who receive loans from them.

True False

31. Managing the financial affairs and property of individuals and business firms falls under the type of banking service line known as cash management services.

True False

32. The role performed by banks in the economy in which they transform savings into credit is known as the intermediation role.

True False

33. The role performed by banks in which they guarantee to make payments on behalf of their customers when those customers are unable to pay a debt obligation is known as the guarantor role.

True False

34. When banks serve as conduits for government policy this is referred to as their agency role.

True False

35. According to the textbook, high-volume transactions are required to make efficient use of automation and other technological innovations.

True False

36. The number of independently owned banks has risen in the United States over the last decade.

True False

37. Money-center banks usually service local communities, towns, and cities, offering a narrow menu of services to the public.

True False

38. A greater proportion of major corporations have deserted the banking system in recent years to raise borrowed funds directly from the open market.

True False

39. The recent erosion of the banking market share relative to other financial institutions means that banking is a dying industry.

True False

40. Lending institutions act as delegated monitors and can diversify and reduce their risk exposure, resulting in increased safety for savers' funds.

True False

41. Current theory suggests that banks exist because of imperfections in our financial system.

True False

42. According to the textbook, traditional banking may be on the decline.

True False

43. Convergence refers to the fact that the number of bank mergers has increased in recent years.

True False

44. Banks which offer virtually all financial services are known as universal banks.

True False

45. Banks have now expanded their service offerings into providing investment banking, insurance protection, financial planning, and other services rather than restricting themselves to traditional financial services.

True False

## Multiple Choice Questions

46. In the United States, a commercial bank qualifies as a "bank" under federal law if it offers:
- A. consumer installment loans, CDs.
  - B. trust services, commercial loans.
  - C. checking accounts, commercial loans.
  - D. security investments, inventory loans to business customers.
  - E. commercial deposit accounts, consumer savings plans.
47. J.C. Penney, and Sears provided are among leading firms that in the 1980s organized competitors with banks that are known as:
- A. nonbank financial-service institutions.
  - B. discount security companies.
  - C. savings institutions.
  - D. credit unions.
  - E. commercial banks.
48. A study of history shows that one of the first services offered by banks was:
- A. equipment leasing.
  - B. currency exchange.
  - C. security brokerage and underwriting.
  - D. sale of real estate.
  - E. None of the options are correct

49. Banks perform the indispensable task of:

- A. creating money without making loans.
- B. absorbing the excess liquidity created by other financial institutions.
- C. intermediating between surplus-spending parties and deficit-spending parties.
- D. issuing risky deposits.
- E. None of the options are correct

50. The view that depositors hire banks to analyze the financial condition of prospective borrowers and continually evaluate the condition of outstanding loans is referred to as:

- A. delegated monitoring.
- B. the concept of financial intermediation.
- C. the liquidity function in banking.
- D. market imperfection theory.
- E. the efficiency contribution of banking.

51. Which of the following has been an important trend regarding consolidation and geographic expansion in banks?

- A. Increased bank branching activity
- B. The formation of more holding companies to purchase smaller banks
- C. Mergers among some of the largest banks in the industry
- D. Significant rise in the average size of individual banks
- E. All of the options are correct



52. Included among leading structural trends in the U.S. banking industry in recent years are:

- A. the number of independently owned banks has declined.
- B. the average size of individual banking firms has increased.
- C. entry across state lines from neighboring states has increased.
- D. the mergers among some of the largest banks in the industry.
- E. All of the options are correct.

53. Smaller, locally focused commercial and savings banks that offer narrower but more personalized menu of financial services are known as:

- A. money-center banks.
- B. community banks.
- C. mutual funds.
- D. state banks.
- E. fringe banks.

54. The banking services that include marketing new securities to raise funds for corporations and other institutions is referred to:

- A. comprehensive packaging.
- B. wrap-around accounts.
- C. investment banking.
- D. professional banking.
- E. None of the options are correct.

55. A bank that wires funds for the purchase of a beach house in South Carolina for a customer in Oklahoma is carrying out the \_\_\_\_\_ of banks.
- A. intermediation  
role
  - B. payment  
role
  - C. guarantor  
role
  - D. agency  
role
  - E. policy  
role
56. Examples of imperfections in the financial system which allow banks to exist include which of the following?
- A. Informational  
asymmetry
  - B. Efficiency of  
markets
  - C. Divisibility of  
assets
  - D. Adequate  
liquidity
  - E. All of the examples are of the imperfections  
that exist.
57. A bank which manages the investment portfolio and pays the bills of an elderly customer who is unable to do it for him or herself is carrying out the \_\_\_\_\_ of banks.
- A. intermediation  
role
  - B. payment  
role
  - C. guarantor  
role
  - D. agency  
role
  - E. policy  
role

58. Which of the following is not a current trend in the banking industry?

- A. The number of banks is declining
- B. The number of bank branches is declining
- C. The number of bank services is increasing
- D. The number of bank competitors is increasing
- E. Bank industry convergence

59. Which of the following types of banks would most likely offer the largest number of financial services virtually?

- A. A retail bank
- B. A community bank
- C. A commercial bank
- D. A universal bank
- E. An international bank

60. The phenomenon of convergence refers to:

- A. financial service firms expanding into other product lines.
- B. firms reducing their product lines.
- C. bank merger activity.
- D. globalization in banking.
- E. technological innovation in banking.

61. Bank equipment leasing activity involves:

- A. a bank leasing its office facilities instead of buying.
- B. a bank buying equipment and then leasing the item to a customer.
- C. a customer buying equipment and then leasing it to a bank.
- D. a bank leasing computer equipment.
- E. None of the options are correct.

62. Wholesale banks are those banks that:

- A. sell at a discount relative to all commercial banks.
- B. only make loans to the wholesale industry.
- C. lend almost exclusively to farmers.
- D. serve corporations and government.
- E. have only retail customers.

63. Jonathan Robbins has an account in a bank that does not have a physical branch. Jonathan does all of his banking business over the Internet. What type of bank does Jonathan have his account at?

- A. Virtual Bank
- B. Mortgage Bank
- C. Community Bank
- D. Minority banks
- E. None of the options are correct.

64. The Edmond National Bank serves only the City of Edmond, Oklahoma and concentrates on providing the best possible service to this city. What type of bank is this most likely to be?

- A. Virtual Bank
- B. Mortgage Bank
- C. Community Bank
- D. Bankers' banks
- E. None of the options are correct.

65. The Charleston Southern Bank makes loans for families to purchase new and existing homes but does not take deposits. What type of bank is this most likely to be?

- A. Virtual Bank
- B. Mortgage Bank
- C. Community Bank
- D. Merchant banks
- E. None of the options are correct.

66. Which of the following is considered a fringe bank?

- A. Community Bank
- B. Wholesale Bank
- C. Merchant Bank
- D. Payday Lender
- E. None of the options are correct.

67. During the middle ages, banks encountered religious opposition because:

- A. loans to the poor often carried high interest rates.
- B. loans and deposits were primarily for wealthy customers.
- C. the Industrial Revolution demanded new methods of making payments and obtaining credit.
- D. savings and wealth were lost due to war, theft, and expropriation by governments.
- E. All of the options are correct.

68. Religious opposition decreased during the Renaissance because:

- A. loans to the poor often carried high interest rates.
- B. loans and deposits primarily consisted of wealthy customers.
- C. the Industrial Revolution demanded new methods of making payments and obtaining credit.
- D. savings and wealth were lost due to war, theft, and expropriation by governments.
- E. All of the options are correct.

69. Banks like the Medici Bank in Italy and the Hochstetter Bank in Germany were successful because \_\_\_\_\_ and they responded well to these new needs.

- A. the poor needed loans at high interest rates
- B. primarily wealthy customers needed loans and deposits
- C. the Industrial Revolution demanded new methods of making payments and obtaining credit
- D. people needed to protect their savings and wealth from the government
- E. All of the options are correct.

70. Early European banks were places for safekeeping of wealth because:

- A. loans to the poor often carried high interest rates.
- B. loans and deposits were primarily for wealthy customers.
- C. the industrial revolution demanded new methods of making payments and obtaining credit.
- D. savings and wealth were lost due to war, theft, and expropriation by governments.
- E. All of the options are correct.

71. The U.S. government wants to prevent money laundering by drug cartels. To promote this goal, they have asked banks to report any cash deposits greater than \$10,000 to the government. Which of the following roles is the bank performing?

- A. The intermediation role
- B. The payments role
- C. The risk management role
- D. The guarantor role
- E. The policy role

72. The Edmond Wine and Cheese shop wants to buy 30 cases of French Champagne on credit. Bank of America writes a letter of credit stating that the Edmond Wine and Cheese shop is a good risk and that if they do not pay off the loan, Bank of America will. Which of the following roles is the bank performing?

- A. The intermediation role
- B. The payments role
- C. The risk management role
- D. The guarantor role
- E. The policy role

73. Alexander Phua goes to his local bank and gets an insurance policy that protects him against loss in case he is in a car accident. Which of the following roles is the bank performing?

- A. The intermediation role
- B. The payments role
- C. The risk management role
- D. The guarantor role
- E. The policy role

74. Chris Jones gets a cashier's check from Wachovia Bank to make his down payment on a new home. Which of the following roles is the bank performing?

- A. The intermediation role
- B. The payments role
- C. The risk management role
- D. The guarantor role
- E. The policy role

75. The Bank, N.A. accepts deposits from thousands of individuals and lends that money to (among others) the Stillwater Body Shop to expand their work bays. Which of the following roles is the bank performing?

- A. The intermediation role
- B. The payments role
- C. The risk management role
- D. The guarantor role
- E. The policy role



76. Major trends affecting the performance of financial firms today include all of these except:

- A. greater product-line diversification.
- B. reduced branching.
- C. geographic diversification.
- D. convergence.
- E. increasing automation.

77. The First National Bank of Lakeland makes risky loans to businesses to expand and grow their businesses while at the same time issuing low-risk securities to their depositors and other fund providers. Which of the following services is this bank offering to their customers?

- A. Risky arbitrage services
- B. Liquidity services
- C. Delegated monitoring services
- D. Divisibility of money services
- E. Credit services

78. Jonathan Wynn knows that if he wanted to purchase a Treasury Bill, the minimum amount he would spend would be close to \$10,000. He also knows that he could deposit \$1,000 in a money market deposit account at a bank and earn about the same rate of interest. Jonathan does not have \$10,000 to invest in a Treasury Bill. If Jonathan puts his money in the bank, which service that a bank can provide, is he taking advantage of?

- A. Risky arbitrage services
- B. Liquidity services
- C. Delegated monitoring services
- D. Divisibility of money services
- E. Credit services

79. Nick Rodr gets a loan from the First State Bank of Guthrie to purchase a new refrigerator for his condo. What service that a bank provides is he taking advantage of?

- A. Risky arbitrage services
- B. Liquidity services
- C. Delegated monitoring services
- D. Divisibility of money services
- E. Credit services

80. Drew Davis goes to his local bank to get help developing a financial plan and making investment decisions. Which of the more recent services banks offer is Drew taking advantage of?

- A. Getting a consumer loan
- B. Getting financial advice
- C. Managing cash
- D. Getting venture capital services
- E. Buying a retirement plan

81. The Bartholemew Bakery receives a lot of payments in cash. They deposit it in their local bank who invests the money in an interest bearing account until it is needed to pay bills. Which of the financial services banks offer, is the Bartholemew bakery taking advantage of?

- A. Getting a consumer loan
- B. Getting financial advice
- C. Managing cash
- D. Getting venture capital services
- E. Buying a retirement plan

82. MyWebCast is a new company that makes it easy for individuals to create streaming videos on the Internet to share with friends and family for a small fee. MyWebCast wants to expand their offerings of video streaming services but needs cash to be able to do this. The Second National Bank of Oklahoma City, through a subsidiary, gives them the cash they need for an ownership share in the company. Which of the more recent services that banks offer is MyWebCast taking advantage of?

- A. Getting a consumer loan
- B. Getting financial advice
- C. Managing cash
- D. Getting venture capital services
- E. Buying a retirement plan

83. Chandriga Suppiah has opened a Roth IRA with North Carolina State Bank and plans on making regular contributions to this account until she retires. Which of the financial services is Chandriga taking advantage of?

- A. Getting a consumer loan
- B. Getting financial advice
- C. Managing cash
- D. Getting venture capital services
- E. Buying a retirement plan

84. The principal functions and services offered by many financial-service firms today include:

- A. lending and investing money.
- B. making payments on behalf of customers to facilitate their purchases of goods and services.
- C. managing and protecting customers' cash and other property.
- D. assisting customers in raising and investing funds profitably.
- E. All of the above.

85. Which of the following is considered a depository financial institution?

- A. Mortgage company
- B. Private pension funds
- C. Savings and Loan associations
- D. Money market funds
- E. Insurance company

86. Which of the following is not a purpose of bank regulation?

- A. Guarantee minimal profitability of the banking system
- B. Provide monetary stability
- C. Ensure safety and soundness of banks
- D. Provide competitive financial system
- E. Protect consumers from abuses of banks

87. During the financial crisis of 2007-2009, the collapse of Lehman Brothers and the bailout of Bear Stearns reaffirmed the importance of the fundamental principle of:

- A. superior management.
- B. globalization.
- C. government bailout.
- D. regulatory arbitrage.
- E. public trust and confidence in the system.

88. Which of the following is an example of a commercial bank?

- A. State and local government retirement funds
- B. Foreign banking offices in the United States
- C. Finance and mortgage companies
- D. Property/casualty and other insurers
- E. Mutual funds

89. Which of the following reasons leads to an implication that traditional banking is dying?

- A. Decrease in number of branches
- B. Increased restructuring of loans
- C. Degradation of market share
- D. Reduction of public trust and confidence in the system.
- E. Increase in risky arbitrage services

90. Which one of the following nonbank financial-service institutions sell shares to the public representing an interest in a professionally managed pool of stocks, bonds, and other securities?
- A. Security brokers and dealers
  - B. Investment banks
  - C. Finance companies
  - D. Mutual funds
  - E. Hedge funds
91. Which of the following activities do the banks perform as dealers in arranging for risk protection for customers from third parties?
- A. Hedging services
  - B. Merchant banking services
  - C. Investment banking services
  - D. Mutual funds services
  - E. Security underwriting services
92. Which of the following are the implied motivators of reforms that have taken place in the banking sector since the credit crisis of 2007-2009?
- A. Increased liquidity
  - B. Increased dominance of the largest financial firms
  - C. Increased disclosure of credit charges and other consumer expenses
  - D. Increased number of bank branches
  - E. Increased speed of innovation and invention

## Chapter 01 An Overview of the Changing Financial-Services Sector **Answer Key**

### Fill in the Blank Questions

1. \_\_\_\_\_ is a traditional service provided by banks in which the banks store the valuables of their customers and certify their true value.

#### **Safekeeping of valuables and Certification of Value**

2. The fact that financial institutions monitor the financial condition of their borrowers by serving only as an agent on behalf of depositors is the \_\_\_\_\_ theory of banking.

#### **delegated monitoring**

3. \_\_\_\_\_ refers to when a financial institution trades one form of currency for another. An example of this would be when the bank trades dollars for yen.

#### **Currency exchange**

4. A(n) \_\_\_\_\_ is a traditional service which permits a depositor to write a draft in payment for goods and services.

#### **demand deposit (checking account)**

5. \_\_\_\_\_ is a service provided by banks where the bank lends money to individuals for the purchase of durable and other goods.

#### **Consumer lending**

6. The \_\_\_\_\_ of a bank is a traditional service where the bank manages the financial affairs and property of individuals (and in some cases businesses).

#### **trust services**

7. Companies such as Merrill Lynch and Sears which offered some but not all banking services in the 1980s were called \_\_\_\_\_.

#### **nonbank financial firms**



8. The loosening of government regulation and control of financial institutions is called \_\_\_\_\_.

**government deregulation**

9. \_\_\_\_\_ is an alternative to lending in which the financial institution purchases the equipment and rents it to its customers.

**Equipment leasing services**

10. The \_\_\_\_\_ is a landmark act which allows financial service providers to offer an expanded menu of financial services for the customer. This law allows banks to truly become conglomerate financial service providers.

**Financial Services Modernization Act (Gramm-Leach-Bliley Act)**

11. The country with the most banks is \_\_\_\_\_.

**the United States**

12. According to Congress, a \_\_\_\_\_ is defined as any institution that can qualify for deposit insurance administered by the FDIC.

**bank**

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**money-center**

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**Convergence**

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**commercial**

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**virtual bank**

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**discounting commercial notes**

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**cash management**

## **True / False Questions**

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- A. the number of independently owned banks has declined.
  - B. the average size of individual banking firms has increased.
  - C. entry across state lines from neighboring states has increased.
  - D. the mergers among some of the largest banks in the industry.
  - E. All of the options are correct.**
53. Smaller, locally focused commercial and savings banks that offer narrower but more personalized menu of financial services are known as:
- A. money-center banks.
  - B. community banks.**
  - C. mutual funds.
  - D. state banks.
  - E. fringe banks.

54. The banking services that include marketing new securities to raise funds for corporations and other institutions is referred to:
- A. comprehensive packaging.
  - B. wrap-around accounts.
  - C. investment banking.**
  - D. professional banking.
  - E. None of the options are correct.
55. A bank that wires funds for the purchase of a beach house in South Carolina for a customer in Oklahoma is carrying out the \_\_\_\_\_ of banks.
- A. intermediation role
  - B. payment role**
  - C. guarantor role
  - D. agency role
  - E. policy role
56. Examples of imperfections in the financial system which allow banks to exist include which of the following?
- A. Informational asymmetry**
  - B. Efficiency of markets
  - C. Divisibility of assets
  - D. Adequate liquidity
  - E. All of the examples are of the imperfections that exist.



57. A bank which manages the investment portfolio and pays the bills of an elderly customer who is unable to do it for him or herself is carrying out the \_\_\_\_\_ of banks.
- A. intermediation  
role
  - B. payment  
role
  - C. guarantor  
role
  - D. agency  
role**
  - E. policy  
role
58. Which of the following is not a current trend in the banking industry?
- A. The number of banks is  
declining
  - B. The number of bank branches is  
declining**
  - C. The number of bank services is  
increasing
  - D. The number of bank competitors is  
increasing
  - E. Bank industry  
convergence
59. Which of the following types of banks would most likely offer the largest number of financial services virtually?
- A. A retail  
bank
  - B. A community  
bank
  - C. A commercial  
bank
  - D. A universal  
bank**
  - E. An international  
bank

60. The phenomenon of convergence refers to:

- A.** financial service firms expanding into other product lines.
- B. firms reducing their product lines.
- C. bank merger activity.
- D. globalization in banking.
- E. technological innovation in banking.

61. Bank equipment leasing activity involves:

- A. a bank leasing its office facilities instead of buying.
- B.** a bank buying equipment and then leasing the item to a customer.
- C. a customer buying equipment and then leasing it to a bank.
- D. a bank leasing computer equipment.
- E. None of the options are correct.

62. Wholesale banks are those banks that:

- A. sell at a discount relative to all commercial banks.
- B. only make loans to the wholesale industry.
- C. lend almost exclusively to farmers.
- D.** serve corporations and government.
- E. have only retail customers.

63. Jonathan Robbins has an account in a bank that does not have a physical branch. Jonathan does all of his banking business over the Internet. What type of bank does Jonathan have his account at?
- A.** Virtual Bank
  - B. Mortgage Bank
  - C. Community Bank
  - D. Minority banks
  - E. None of the options are correct.
64. The Edmond National Bank serves only the City of Edmond, Oklahoma and concentrates on providing the best possible service to this city. What type of bank is this most likely to be?
- A. Virtual Bank
  - B. Mortgage Bank
  - C.** Community Bank
  - D. Bankers' banks
  - E. None of the options are correct.
65. The Charleston Southern Bank makes loans for families to purchase new and existing homes but does not take deposits. What type of bank is this most likely to be?
- A. Virtual Bank
  - B.** Mortgage Bank
  - C. Community Bank
  - D. Merchant banks
  - E. None of the options are correct.

66. Which of the following is considered a fringe bank?
- A. Community Bank
  - B. Wholesale Bank
  - C. Merchant Bank
  - D. Payday Lender**
  - E. None of the options are correct.
67. During the middle ages, banks encountered religious opposition because:
- A. loans to the poor often carried high interest rates.**
  - B. loans and deposits were primarily for wealthy customers.
  - C. the Industrial Revolution demanded new methods of making payments and obtaining credit.
  - D. savings and wealth were lost due to war, theft, and expropriation by governments.
  - E. All of the options are correct.
68. Religious opposition decreased during the Renaissance because:
- A. loans to the poor often carried high interest rates.
  - B. loans and deposits primarily consisted of wealthy customers.**
  - C. the Industrial Revolution demanded new methods of making payments and obtaining credit.
  - D. savings and wealth were lost due to war, theft, and expropriation by governments.
  - E. All of the options are correct.

69. Banks like the Medici Bank in Italy and the Hochstetter Bank in Germany were successful because \_\_\_\_\_ and they responded well to these new needs.
- A. the poor needed loans at high interest rates
  - B. primarily wealthy customers needed loans and deposits
  - C.** the Industrial Revolution demanded new methods of making payments and obtaining credit
  - D. people needed to protect their savings and wealth from the government
  - E. All of the options are correct.
70. Early European banks were places for safekeeping of wealth because:
- A. loans to the poor often carried high interest rates.
  - B. loans and deposits were primarily for wealthy customers.
  - C. the industrial revolution demanded new methods of making payments and obtaining credit.
  - D.** savings and wealth were lost due to war, theft, and expropriation by governments.
  - E. All of the options are correct.
71. The U.S. government wants to prevent money laundering by drug cartels. To promote this goal, they have asked banks to report any cash deposits greater than \$10,000 to the government. Which of the following roles is the bank performing?
- A. The intermediation role
  - B. The payments role
  - C. The risk management role
  - D. The guarantor role
  - E.** The policy role

72. The Edmond Wine and Cheese shop wants to buy 30 cases of French Champagne on credit. Bank of America writes a letter of credit stating that the Edmond Wine and Cheese shop is a good risk and that if they do not pay off the loan, Bank of America will. Which of the following roles is the bank performing?
- A. The intermediation role
  - B. The payments role
  - C. The risk management role
  - D. The guarantor role**
  - E. The policy role
73. Alexander Phua goes to his local bank and gets an insurance policy that protects him against loss in case he is in a car accident. Which of the following roles is the bank performing?
- A. The intermediation role
  - B. The payments role
  - C. The risk management role**
  - D. The guarantor role
  - E. The policy role
74. Chris Jones gets a cashier's check from Wachovia Bank to make his down payment on a new home. Which of the following roles is the bank performing?
- A. The intermediation role
  - B. The payments role**
  - C. The risk management role
  - D. The guarantor role
  - E. The policy role

75. The Bank, N.A. accepts deposits from thousands of individuals and lends that money to (among others) the Stillwater Body Shop to expand their work bays. Which of the following roles is the bank performing?
- A.** The intermediation role
  - B. The payments role
  - C. The risk management role
  - D. The guarantor role
  - E. The policy role
76. Major trends affecting the performance of financial firms today include all of these except:
- A. greater product-line diversification.
  - B.** reduced branching.
  - C. geographic diversification.
  - D. convergence.
  - E. increasing automation.
77. The First National Bank of Lakeland makes risky loans to businesses to expand and grow their businesses while at the same time issuing low-risk securities to their depositors and other fund providers. Which of the following services is this bank offering to their customers?
- A.** Risky arbitrage services
  - B. Liquidity services
  - C. Delegated monitoring services
  - D. Divisibility of money services
  - E. Credit services

78. Jonathan Wynn knows that if he wanted to purchase a Treasury Bill, the minimum amount he would spend would be close to \$10,000. He also knows that he could deposit \$1,000 in a money market deposit account at a bank and earn about the same rate of interest. Jonathan does not have \$10,000 to invest in a Treasury Bill. If Jonathan puts his money in the bank, which service that a bank can provide, is he taking advantage of?
- A. Risky arbitrage services
  - B. Liquidity services
  - C. Delegated monitoring services
  - D. Divisibility of money services**
  - E. Credit services
79. Nick Rodr gets a loan from the First State Bank of Guthrie to purchase a new refrigerator for his condo. What service that a bank provides is he taking advantage of?
- A. Risky arbitrage services
  - B. Liquidity services
  - C. Delegated monitoring services
  - D. Divisibility of money services
  - E. Credit services**



80. Drew Davis goes to his local bank to get help developing a financial plan and making investment decisions. Which of the more recent services banks offer is Drew taking advantage of?
- A. Getting a consumer loan
  - B. Getting financial advice**
  - C. Managing cash
  - D. Getting venture capital services
  - E. Buying a retirement plan
81. The Bartholemew Bakery receives a lot of payments in cash. They deposit it in their local bank who invests the money in an interest bearing account until it is needed to pay bills. Which of the financial services banks offer, is the Bartholemew bakery taking advantage of?
- A. Getting a consumer loan
  - B. Getting financial advice
  - C. Managing cash**
  - D. Getting venture capital services
  - E. Buying a retirement plan

82. MyWebCast is a new company that makes it easy for individuals to create streaming videos on the Internet to share with friends and family for a small fee. MyWebCast wants to expand their offerings of video streaming services but needs cash to be able to do this. The Second National Bank of Oklahoma City, through a subsidiary, gives them the cash they need for an ownership share in the company. Which of the more recent services that banks offer is MyWebCast taking advantage of?
- A. Getting a consumer loan
  - B. Getting financial advice
  - C. Managing cash
  - D. Getting venture capital services**
  - E. Buying a retirement plan
83. Chandriga Suppiah has opened a Roth IRA with North Carolina State Bank and plans on making regular contributions to this account until she retires. Which of the financial services is Chandriga taking advantage of?
- A. Getting a consumer loan
  - B. Getting financial advice
  - C. Managing cash
  - D. Getting venture capital services
  - E. Buying a retirement plan**

84. The principal functions and services offered by many financial-service firms today include:
- A. lending and investing money.
  - B. making payments on behalf of customers to facilitate their purchases of goods and services.
  - C. managing and protecting customers' cash and other property.
  - D. assisting customers in raising and investing funds profitably.
  - E. All of the above.**
85. Which of the following is considered a depository financial institution?
- A. Mortgage company
  - B. Private pension funds
  - C. Savings and Loan associations**
  - D. Money market funds
  - E. Insurance company
86. Which of the following is not a purpose of bank regulation?
- A. Guarantee minimal profitability of the banking system**
  - B. Provide monetary stability
  - C. Ensure safety and soundness of banks
  - D. Provide competitive financial system
  - E. Protect consumers from abuses of banks

87. During the financial crisis of 2007-2009, the collapse of Lehman Brothers and the bailout of Bear Stearns reaffirmed the importance of the fundamental principle of:
- A. superior management.
  - B. globalization.
  - C. government bailout.
  - D. regulatory arbitrage.
  - E. public trust and confidence in the system.**
88. Which of the following is an example of a commercial bank?
- A. State and local government retirement funds
  - B. Foreign banking offices in the United States**
  - C. Finance and mortgage companies
  - D. Property/casualty and other insurers
  - E. Mutual funds
89. Which of the following reasons leads to an implication that traditional banking is dying?
- A. Decrease in number of branches
  - B. Increased restructuring of loans
  - C. Degradation of market share**
  - D. Reduction of public trust and confidence in the system.
  - E. Increase in risky arbitrage services

90. Which one of the following nonbank financial-service institutions sell shares to the public representing an interest in a professionally managed pool of stocks, bonds, and other securities?
- A. Security brokers and dealers
  - B. Investment banks
  - C. Finance companies
  - D. Mutual funds**
  - E. Hedge funds
91. Which of the following activities do the banks perform as dealers in arranging for risk protection for customers from third parties?
- A. Hedging services**
  - B. Merchant banking services
  - C. Investment banking services
  - D. Mutual funds services
  - E. Security underwriting services
92. Which of the following are the implied motivators of reforms that have taken place in the banking sector since the credit crisis of 2007-2009?
- A. Increased liquidity
  - B. Increased dominance of the largest financial firms
  - C. Increased disclosure of credit charges and other consumer expenses
  - D. Increased number of bank branches
  - E. Increased speed of innovation and invention**