

BANKING & FINANCE (08)

Sponsored by the American Institute for Certified Public Accountants.



Regional– 2010

Objective Portion (35 @ 2 pts. each)	_____ (70)
Problem Portion (6 @ 5 pts each)	_____ (30)
TOTAL POINTS	_____ (100)

Failure to adhere to any of the following rules will result in disqualification:

- 1. Contestant must hand in this test booklet and all printouts. Failure to do so will result in disqualification.***
- 2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.***
- 3. Electronic devices will be monitored according to ACT standards.***

No more than 60 minutes testing time

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Workplace Skills Assessment Program competition.

MULTIPLE CHOICE: Choose the best answer for each of the following and record your answer on the Scantron form provided:

1. An element of internal control is
 - a. Risk assessment
 - b. Journals
 - c. Subsidiary ledgers
 - d. Controlling accounts

2. One result of competition among banks is that
 - a. more services are available to customers
 - b. more banks exist now than a decade ago
 - c. the trend toward mergers in the banking industry has slowed
 - d. all of the above

3. Which of the following is considered a liability for a bank?
 - a. Loans
 - b. Investments
 - c. Deposits
 - d. None of the above; banks are prohibited by law from carrying liabilities

4. The largest denomination of paper currency in the United States today is the
 - a. one hundred dollar note
 - b. five hundred dollar note
 - c. one thousand dollar note
 - d. ten thousand dollar note

5. Which of the following is NOT a function of the Federal Reserve
 - a. levying a high tax on state bank notes
 - b. conducting bank examinations
 - c. handling the government's central banking function
 - d. determining whether banks can borrow money from the Federal Reserve

6. FDIC insures a one-owner company up to?
 - a. \$100,000
 - b. \$150,000
 - c. \$250,000
 - d. \$1,000,000

7. The rate of interest the Federal Reserve charges banks for short-term loans is called the
 - a. discount rate
 - b. federal funds rate
 - c. reserve requirement rate
 - d. prime rate

8. If there is too much money moving in the economy
 - a. unemployment will probably rise
 - b. prices may rise, causing inflation
 - c. prices will fall, causing widespread business failure
 - d. both a and b, but not c

9. Which of the following assets is *most* liquid?
 - a. the money in your savings account
 - b. 100 shares of stock in a Fortune 500 company
 - c. the money in your wallet
 - d. a certificate of deposit that comes due in six months

10. Which of the following is NOT considered a factor in money creation?
 - a. the Federal Reserve's supply and control of money
 - b. banks' use of money
 - c. the demand for money
 - d. the printing of currency by the Bureau of Engraving and Printing

11. If banks must hold more money in reserve,
 - a. the money supply will expand
 - b. there is more money available to lend
 - c. there is less money available to lend
 - d. both a and b, not c

12. The most common form of a transaction account is a
 - a. savings account
 - b. checking account
 - c. money market account
 - d. certificate of deposit

13. Which of the following is NOT a time deposit?
 - a. savings account
 - b. checking account
 - c. money market account
 - d. certificate of deposit

14. Which of the following accounts are you LEAST likely to encounter at a modern bank?
 - a. checking account
 - b. certificate of deposit
 - c. money market account
 - d. passbook savings account

15. Adding interest to the principal and paying interest on the new total is called paying
- compounded interest
 - simple interest
 - semi-annual interest
 - total interest
16. For the purposes of computing interest compounded daily, an ordinary year is generally considered to be
- 336 days
 - 360 days
 - 365 days
 - 366 days
17. Which of the following features of a check indicates who is to receive the funds?
- the bearer
 - the signature
 - the payee
 - the memo
18. The term *negotiation*, as it applies to a negotiable instrument, applies to
- the ability of the holder to obtain its value
 - the conditions of the instrument
 - the terms of the instrument
 - all of the above
19. Which of the following endorsements is the least secure?
- qualified endorsements
 - full endorsement
 - restrictive endorsement
 - blank endorsement
20. Which of the following directly transfers money from a person's account to the account of a retailer?
- charge card
 - credit card
 - debit card
 - cash card
21. Which of the following is NOT a tip consumers should follow regarding the use of checks?
- endorse all checks in the presence of a bank teller
 - shred account statements and canceled checks rather than simply throwing them in the trash
 - don't leave spaces on checks
 - have your social security number printed on your checks to aid identification

22. A legal claim a lender has on property to secure a debt is called
- a lien
 - collateral
 - an acceleration clause
 - a garnishment
23. Which of the following statements about open-end loans is true?
- an automobile loan is probably the most common type of open-end loan
 - the longer you use the money, the more you pay
 - the amount owed is fixed
 - the term is fixed
24. Which of the following elements of the FICO credit-scoring system carries the most weight?
- types of credit
 - payment history
 - length of credit history
 - new credit
25. Which of the following statements is NOT true?
- credit bureaus may not report information more than one year old
 - a creditor may not use receipt of public assistance as a factor in determining creditworthiness
 - if there is a billing dispute, creditors may not take adverse action until the dispute is resolved
 - bill collectors may not call debtors at odd hours
26. Which of the following components of a fixed-rate mortgage do not change?
- payments on the loan
 - interest rate
 - terms
 - all of the above
27. A point is a value equal to ____ of a mortgage loan.
- 1 percent
 - 2 percent
 - 5 percent
 - 10 percent
28. A reverse mortgage is repaid
- over the term of the loan, typically 30 years
 - in one single large payment at a specified point
 - when the borrower dies
 - by the bank to the borrower

29. Generally speaking, housing costs should not exceed_____ of gross monthly income.
- 10 to 15 percent
 - 25 to 28 percent
 - 36 to 40 percent
 - 50 percent
30. Which of the following types of lending account for the largest dollar market?
- commercial lending
 - consumer lending
 - mortgage lending
 - government lending
31. Which of the following type of business loan is often packaged with a real estate loan?
- equipment loan
 - construction loan
 - operations loan
 - automobile loan
32. Which of the following is an approved use of an SBA-backed loan?
- to pay delinquent taxes
 - to purchase new equipment
 - to pay existing debt
 - to finance floor plan needs
33. The demand for a given currency will be strong if all of the following factors are present EXCEPT
- low inflation
 - low interest rates
 - a positive trade balance
 - a strong economic forecast
34. The type of business insurance that pays for medical care and physical rehabilitation of workers injured on the job is called
- workers' compensation
 - short-term disability
 - commercial liability
 - long-term liability
35. Which of the following retirement products allow employees to make tax-deferred contributions, which are often matched by the company, to a trust?
- traditional IRA
 - variable annuity
 - 401 (k) plan
 - Roth IRA



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KEY

Total Points _____(200)

Judges/Graders:

Please double-check and verify all scores!

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Multiple Choice.

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



Short Problems.

1. Angie's savings account pays simple interest. She began with a deposit of \$2000; at the end of one year, she had earned \$80 in interest. Find the interest rate on the account.

4%

$$80 / 2000$$

2. This morning, Clarissa had a balance in her checking account of \$1265.98. She wrote three checks: one to the baker for \$58, one to the florist for \$29, and one to her mother for \$500. She also took her \$750 paycheck to the bank and deposited two-thirds of it into her account; the other one-third she took as cash. What is her account balance at the end of the day?

\$1,178.98

$$1265.98 - (58 + 29 + 500) + 750 \times 2 / 3$$

3. Suppose you borrow \$1,050 and pay the loan back in 12 equal payments of \$96.50. What is the finance charge for this loan?

\$108

$$12 \times 96.50 - 1050$$

4. What is the value of 2 points on a mortgage loan of \$100,000?

\$2,000

$$100000 \times 2\%$$



5. Four years ago, Mavis and Lester purchased a \$200,000 home with \$25,000 down. The remaining principal on the home is \$155,000. Suppose the home has appreciated in value during that time to \$245,000. Find Mavis and Lester's equity in the home.

\$90,000

245000 - 155000

6. The value of one U.S. dollar equals 0.752 Euros. What would 250 Euros be worth, converted into U.S. dollars? (Round answer to nearest two decimal places.)

\$332.45

250 / 0.752