True or False?

1. ___ Money includes coins, paper currency, and checking accounts.
2. ___ Financial activities of governments involve borrowing funds to build factories.
3. ___ Increased borrowing by consumers and businesses usually results in lower interest rates.
4. ___ A trade deficit involves a country importing more than it exports.
5. ___ The first step in the personal financial planning process is to evaluate alternatives.
6. ___ The opportunity cost of a decision is what a person gives up when making a choice.
7. ___ A life insurance company is an example of a deposit financial institution.
8. ___ Check-cashing outlets are more expensive than services at most other financial institutions.
9. ___ Capital expenditures refer to payments for current operating expenses.
10. ___ Property taxes are a major source of revenue for local governments.

Matching

___ consumers
___ businesses
___ financial markets
___ government
___ financial institutions
___ nonprofit organizations

1. Refers to banks and credit unions.
2. Locations for buying and selling stock and bonds.
3. Collects taxes to provide public services.
4. Includes households that buy goods and services.
5. Often must report financial activities to stockholders.
6. Provides community assistance that may not be offered by government.

Multiple Choice

1. ___ Coins, bank notes, checks, and debit cards are commonly referred to as (a) financial instruments (b) financial services (c) money (d) liquidity.
2. ___ The participant in a financial system that collects taxes is (a) consumers (b) nonprofit organizations (c) government (d) banks.
3. ___ If freezing weather damages orange crops in Florida (a) interest rates will decline (b) higher consumer prices can occur (c) the money supply will decline (d) lower inflation would result.
4. ___ A location where long-term debt and equity securities are sold is called (a) a risk market (b) a money market (c) a development bank (d) a capital market.
5. ___ The final step of the personal financial planning process is to (a) review your progress (b) set financial goals (c) evaluate alternatives (d) create an action plan.
6. ___ An example of a deposit institution would be (a) a credit union (b) an insurance company (c) an investment company (d) a check-cashing outlet.
7. ___ A common use of funds for businesses is (a) revenue (b) borrowing (c) money from investors (d) capital expenditures.
8. ___ Business activities within one state are referred to as (a) municipal business (b) intrastate commerce (c) interstate commerce (d) regional economic development.
1. Five main factors affect the value of securities. For each of these items, listed below, give a brief description (in your own words), and give an example of how this item might cause the value of a stock or bond to increase (or decrease) in value.

<table>
<thead>
<tr>
<th>Factors affecting security value</th>
<th>Description</th>
<th>Example</th>
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<td>Supply and Demand</td>
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2. Sources and Uses of Funds: Every organization requires money for day-to-day activities. The three common sources of funds are (1) revenue from sales, (2) funds from investors, and (3) borrowing. The two main categories of uses of funds are (1) current expenses and (2) capital expenditures, or long-term spending.

Select a local business or other company. List the (a) sources of funds, and (b) uses of funds that the organization might come across.

(a) Sources of Funds  
(b) Uses of Funds
3. This flowchart represents the three main participants in the financial system of a country.

1. In each box, describe a financial action of the group participant.

2. What are various financial interactions between individuals and businesses (A)?

3. For area (B), what are some examples of financial flows between individuals and government?

4. What types of financial flows might occur between businesses and government (C)?

5. Describe difficulties that might occur among these groups when various financial flows are interrupted or stopped. What actions might be necessary?