1. Which of the following powers or tools of Federal Reserve monetary policy has the greatest impact on the money supply?
   a. discount rate
   b. Regulation Q
   c. open market operations
   d. bank examination
   e. All of the above have about the same impact.

2. The asset of Federal Reserve banks associated with open market operations is
   a. Federal Reserve notes.
   b. U.S. government securities.
   c. loans to member banks.
   d. float.
   e. None of the above.

3. All else equal, a decrease in reserve requirements will cause
   a. state and local government expenditures to fall.
   b. inflation expectations to fall.
   c. an increase in the Fed Funds rate.
   d. excess reserves to increase.
   e. All of the above will occur.

4. An increase in depository institutions' reserves will cause
   a. the Fed Funds rate to rise.
   b. planned inventory investment to fall.
   c. depository institutions to lend more freely.
   d. foreign investors to buy more T-Bills.
   e. None of the above.

5. Which of the following is not an asset of a bank?
   a. business deposits
   b. consumer loans
   c. deposits in other banks
   d. government securities
   e. All of the above are bank assets.

6. The maximum amount of FDIC deposit insurance per eligible deposit account is
   a. $50,000
   b. $100,000
   c. $250,000
   d. $500,000

e. greater than $1,000,000.

7. If bank managers lobby to maintain America's traditional "dual banking" structure, they want
   a. an option of either federal or state bank chartering.
   b. to maintain the right to make loans and take deposits.
   c. the right to fight competition.
   d. the option of remaining a bank or a bank holding company.
   e. All of the above.

8. The major asset of savings and loans is
   a. mortgage-backed securities.
   b. construction loans.
   c. residential (home) mortgages.
   d. cash and investment accounts.
   e. government securities.

9. Each of the following is classified as a thrift financial institution, except
   a. commercial bank.
   b. savings and loan association.
   c. savings bank.
   d. credit union.
   e. All of the above are thrift institutions.

10. A fractional reserve banking system might be in trouble if
   a. one depositor wanted his (her) money returned.
   b. one borrowing customer paid off the loan.
   c. all borrowing customers paid off their loans.
   d. all deposit customers wanted to withdraw their money.
   e. None of the above.

11. The most frequent common bond for credit union formation is
   a. occupational.
   b. church-related or religious affiliation.
   c. geographical.
   d. ethnicity factors.
   e. political affiliation.

12. The major regulator of investment companies is the
   a. state in which they are incorporated.
   b. bank holding companies that own them.

c. Securities and Exchange Commission.
d. Federal Reserve System.
e. U.S. Treasury.

13. The primary tools of the Federal Reserve monetary policy include all of the following *except*
    a. changing the discount rates.
    b. open market operations.
    c. changes in reserve requirements.
    d. changes in the Federal Funds rate.
    e. All of the above are monetary policy tools used by the Fed.

14. While the Treasury collects most of its receipts through commercial banks, its expenditures (checks) are drawn upon
    a. the Federal Reserve Board of Governors.
    b. national banks.
    c. Federal Reserve banks.
    d. federal financing banks.
    e. None of the above.

15. All else equal, the money supply should decrease when
    a. banks withdraw currency from the Fed.
    b. the Fed makes loans at the discount window.
    c. the Fed sells securities on the open market.
    d. the Fed buys securities on the open market.
    e. None of the above

16. The primary responsibility of the Federal Open Market Committee (FOMC) is to
    a. establish a level and growth of the money supply through open market operations to produce a stable economic environment.
    b. supervise the examination of state member banks.
    c. change the reserve requirements of banks.
    d. determine the level of Federal Reserve notes allowed in circulation.
    e. None of the above.

17. The original purpose of deposit insurance was to
    a. prevent bank runs by large depositors.
    b. increase the regulatory monitoring of banks.
    c. force the banks to invest in less risky investments.
    d. prevent bank panics by insuring the small deposits of many people.
    e. All of the above.

18. Federal deposit insurance has
    a. prevented bank depositor panics, but not bank failures.
    b. prevented bank panic and bank failures.
    c. prevented bank failures, but not bank depositor panic.
    d. not prevented bank depositor panics, but has eliminated bank failures.
    e. None of the above

19. The Federal Reserve System established
    a. a system for federal chartering of banks.
    b. a system for controlling bank note issuance.
    c. a source of liquidity for the banking system.
    d. the beginning of demand deposit accounts.
    e. None of the above.

20. The largest amount of pension assets are associated with
    a. private pension funds.
    b. social security.
    c. government-administered pension funds.
    d. insured pension plans with life insurance companies.
    e. None of the above.

21. Suppose the reserve requirement for transaction deposits is 10% and it is 5% for nontransaction deposits. What is the total reserve requirement for a bank with total deposits equal to $800 million, if $600 million of these deposits are classified as transaction deposits?
    a. $80 million
    b. $60 million
    c. $70 million
    d. $100 million
    e. None of the above.

22. A(n) ____ is a depository institution that is owned by its depositors, who are members of a common organization or association, such as an occupation, a religious group, or a community.
    a. pension fund
    b. commercial bank
    c. credit union
    d. insurance company
    e. mutual fund

23. A(n) ____ is an investment company that accepts money from savers and then use these funds to buy various types of financial assets.
    a. savings and loans

b. insurance company
c. mutual savings bank
d. mutual fund
e. commercial bank

24. Mutual funds that invest primarily in instruments that generate fairly constant annual cash flows such as bonds and preferred stocks are ____.
a. income funds
b. growth funds
c. value funds
d. money market funds
e. social funds

25. The Fed banks are supervised by a central governing body called
a. the Board of Governors
b. the Federal Open Market Committee
c. the Chairman of the Fed
d. the Federal Banking Committee