



Section 1: Guided Reading and Review

Money

A. As You Read

As you read Section 1, supply the requested information in the spaces provided.

Describe the three uses of money.

1. _____
2. _____
3. _____

Define the six characteristics of money.

4. _____
5. _____
6. _____
7. _____
8. _____
9. _____

B. Reviewing Key Terms

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- ___ 10. something that keeps its value if held
- ___ 11. objects that have value because the holder can exchange them for something else of value
- ___ 12. money that has value because the government says it is acceptable for paying debts
- ___ 13. anything that is used to determine value during the exchange of goods and services
- ___ 14. exchange of one set of goods or services for another
- ___ 15. coins and paper bills used as money
- ___ 16. way to compare the value of goods and services relative to each other
- ___ 17. anything used as a medium of exchange, a unit of account, and a store of value
- ___ 18. objects that have value in themselves as well as for their use as money

Column II

- a. barter
- b. store of value
- c. fiat money
- d. currency
- e. money
- f. medium of exchange
- g. commodity money
- h. unit of account
- i. representative money



Section 2: Guided Reading and Review

The History of American Banking

A. As You Read

As you read Section 2, fill in two supporting facts or details under each main idea by answering each question.

Main Idea: Before the Civil War, banking in the United States shifted between a centralized system and independent state and local banks.

1. What were the first two attempts to centralize U.S. banking, and when were they in operation? _____

2. What problems were associated with the Free Banking Era (1837–1863), dominated by state-chartered banks? _____

Main Idea: Reforms of the late 1800s stabilized the banking system.

3. How did the National Banking Acts of 1863 and 1864 promote stability? _____

4. How did the gold standard promote stability? _____

Main Idea: Banking reforms early in the twentieth century helped strengthen and centralize American banking.

5. How did the Federal Reserve System, established in 1913, begin to manage the money supply? _____

6. What guarantee was made available to bank customers in 1933? _____

B. Reviewing Key Terms

Complete each sentence by writing the correct term in the blank provided.

7. One advantage of the _____ was that the government could only issue currency if it had gold in the treasury to back it.
8. The _____ was a paper currency printed with green ink that was issued by the U.S. Treasury during the Civil War but not backed by gold or silver.
9. A(n) _____ receives, keeps, and lends money.
10. The nation's central banking system is the _____.



Section 3: Guided Reading and Review

Banking Today

A. As You Read

As you read Section 3, supply the requested information on the lines provided.

Define M1.

1. _____

Define M2.

2. _____

List five services that banks offer.

3. _____
4. _____
5. _____
6. _____
7. _____

Describe four types of financial institutions.

8. _____
9. _____
10. _____
11. _____

B. Reviewing Key Terms

Define the following terms.

12. money supply _____
13. liquidity _____
14. demand deposit _____
15. money market mutual fund _____
16. fractional reserve banking _____
17. default _____
18. mortgage _____
19. credit card _____
20. interest _____
21. debit card _____
22. creditor _____

Section 1: Guided Reading and Review

Saving and Investing



A. As You Read

As you read Section 1, supply the missing information about the functions of the financial intermediaries in the chart below.

Financial Intermediaries	Functions
1. Banks, Savings and Loan Associations, Credit Unions	1.
2. Finance Companies	2.
3. Mutual Funds	3.
4. Life Insurance Companies	4.
5. Pension Funds	5.

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B. Reviewing Key Terms

Complete each sentence by writing the correct key term in the blank provided.

6. Before putting money into mutual funds, a potential investor can review the fund's performance in its _____.
7. The use of assets to earn income or profit constitutes a(n) _____.
8. To transfer money between savers and borrowers, allowing investment to take place, an economy needs a(n) _____.
9. Securities is another name for _____.
10. The lower the risk in an investment, the lower its _____.
11. The collection of all one's financial assets makes up one's _____.

Section 2: Guided Reading and Review

Bonds and Other Financial Assets



A. As You Read

As you read Section 2, answer the questions on the lines provided.

1. How does an investor earn money by buying bonds at a discount? _____

2. What are Standard & Poor's and Moody's ratings based on? _____

3. What advantages do bonds offer to firms that issue them? _____

4. What disadvantage do bonds present for the issuer? _____

5. (a) What types of government bonds are available to investors? _____

 (b) Which type offers the greatest tax advantage? _____

6. What three organizations help ensure value and prevent dishonesty in the bond market?

7. (a) What is the investment advantage of money market mutual funds over CDs and savings accounts? _____
 (b) What is the disadvantage? _____
8. (a) In financial asset markets, how do capital markets differ from money markets? _____

 (b) How do primary markets differ from secondary markets? _____

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B. Reviewing Key Terms

Define the following terms.

9. maturity _____
10. corporate bond _____
11. junk bond _____
12. coupon rate _____

