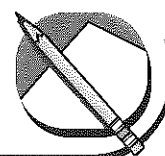


## Section 2: Quiz

# Federal Reserve Functions



### A. Key Terms

Briefly define or identify each of the following.

1. check clearing \_\_\_\_\_  
\_\_\_\_\_
2. bank holding company \_\_\_\_\_  
\_\_\_\_\_
3. federal funds rate \_\_\_\_\_  
\_\_\_\_\_
4. discount rate \_\_\_\_\_  
\_\_\_\_\_
5. net worth \_\_\_\_\_  
\_\_\_\_\_

### B. Main Ideas

Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 6. What does a “fractional reserve banking system” mean?
  - a. one that uses fractional paper currency as well as coins
  - b. one that is required to report daily deposits to the Federal Reserve
  - c. one that must keep most deposited money in reserve
  - d. one that keeps only a small part of customers’ deposits on hand
- \_\_\_\_\_ 7. Who issues U.S. paper currency?
  - a. the Treasury Department
  - b. the U.S. Mint
  - c. the district Federal Reserve Banks
  - d. the U.S. bank examiners
- \_\_\_\_\_ 8. In the United States, what does the general level of a family’s income have to do with the amount of cash the family is likely to hold?
  - a. The higher the real income, the more cash the family will hold.
  - b. The higher the real income, the less cash the family will hold.
  - c. The lower the real income, the more cash the family will hold.
  - d. The two factors are not related to each other.
- \_\_\_\_\_ 9. What is the function of a bank examiner?
  - a. to make sure banks are obeying laws and regulations
  - b. to respond to banks about their daily reports to the Fed
  - c. to carry on day-to-day functions within the bank
  - d. to oversee decisions about major loans by each bank
- \_\_\_\_\_ 10. Why does a high interest rate discourage people from holding their money in cash?
  - a. They cannot be sure that cash will hold its value.
  - b. They are more concerned that it will be stolen.
  - c. They are fearful of inflation.
  - d. They can get interest for it when it is invested.