

# BANKING & FINANCE (06)

## Regional—2005

Objective Questions (25 @ 2 pts. each) \_\_\_\_\_ (50 pts.)

Production Portion

- **Job 1** - Check Writing \_\_\_\_\_ (12 pts.)
- **Job 2** - Check Register \_\_\_\_\_ (18 pts.)
- **Job 3** – Reconcile Bank Statement \_\_\_\_\_ (24 pts.)

***TOTAL POINTS*** \_\_\_\_\_ (***104***)

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

- 1. Contestant must hand in this test booklet and answer sheet. 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.***

60 minutes of testing time

Do **NOT** open test booklet until instructed to do so.

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*Workplace Skills Assessment Program* regional competition.

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

1. It is illegal for banks to charge higher interest rates for loans than they pay depositors.  
A. True  
B. False
2. The National Banking Act of 1864 founded an adaptable, flexible system of central banking for the United States.  
A. True  
B. False
3. Liquidity is variable, depending on the nature of the asset.  
A. True  
B. False
4. Most large money transactions involve ledger entries rather than the movement of physical currency.  
A. True  
B. False
5. Principal is the price paid for using money.  
A. True  
B. False
6. It is illegal for a bank to make different check-cashing rules for customers and noncustomers.  
A. True  
B. False
7. The fastest-growing segment of banking security issues involves safeguarding the technology that makes doing business possible.  
A. True  
B. False
8. Fraud prevention occupies more resources of the banking industry than any other activity except routine processing.  
A. True  
B. False
9. Unlike consumer lending, most commercial lending is regulated only by the terms of the loan agreement and some state laws.  
A. True  
B. False

10. The Small Business Administration is barred by law from assisting businesses that engage in international trade.
  - A. True
  - B. False
  
11. Which of the following is considered a liability for a bank?
  - A. loans
  - B. investments
  - C. deposits
  - D. none of the above
  
12. To combat inflation in the 1970s and 1980s, the Federal Reserve \_\_\_\_\_.
  - A. loosened the money supply
  - B. allowed interest rates to rise
  - C. allowed interest rates to fall
  - D. enacted wage and price controls
  
13. 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, but not c
  
14. Which of the following is NOT an element of negotiability?
  - A. must contain a signature
  - B. must be written
  - C. must be payable on demand
  - D. must state the amount to be paid
  
15. A reverse mortgage is repaid \_\_\_\_\_.
  - A. over the term of the loan, typically 30 years
  - B. in one single large payment at a specified point
  - C. when the borrower dies
  - D. by the bank to the borrower
  
16. Generally speaking, housing costs should not exceed \_\_\_\_\_ of gross monthly income
  - A. 10 to 15 percent
  - B. 25 to 28 percent
  - C. 36 to 40 percent
  - D. 50 percent
  
17. Which of the following type of business loan is packaged with a real estate loan?
  - A. equipment loan
  - B. construction loan
  - C. operations loan
  - D. automobile loan

18. Which of the following would a business probably NOT finance by a term loan?
- A. real estate
  - B. equipment
  - C. increasing inventory
  - D. business expansion
19. Most short-term business loans are for \_\_\_\_\_.
- A. six months or less
  - B. one year or less
  - C. two years or less
  - D. five years or less
20. Which of the following bank collection services allows accounts receivable payments to be sent directly to the bank?
- A. zero-balance accounts
  - B. automated clearing house network
  - C. lockbox service
  - D. none of the above
21. On January 1, the cost of a product is \$50. If inflation for that year is 12 percent, what does the product cost on December 31 of that year?
- A. \$60.00
  - B. \$56.00
  - C. \$54.00
  - D. \$51.20
22. Suppose Tom wrote 156 checks last year. How many checks did he write every month, on average?
- A. 10
  - B. 11
  - C. 12
  - D. 13
23. If there are 14,000 commercial banks in the United States and only 5.4 percent specialize in international lending, what is the number of banks specializing in this field?
- A. 700
  - B. 75
  - C. 756
  - D. 800

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24. A business accepted a note of \$7,000 plus a \$500 service fee to be paid in 12 months. Soon after, the business arranged for a local bank to purchase the debt for a factoring fee of 3 percent. What was the cash amount of the factoring fee?
- A. \$210
  - B. \$215
  - C. \$225
  - D. \$250
25. A business accepted a note of \$8000 to be paid in 12 months. Soon after, the business arranged for a local bank to purchase the debt for a factoring fee of \$200. What was the percentage of the factoring fee?
- A. .0025 percent
  - B. .025 percent
  - C. .25 percent
  - D. 2.5 percent

**Job 1 – Check Writing**

Using the information on the check below, mark the correct answers for 26-31 on your Scantron form.

Jerry E. Wallace 210 Main Street City, State 12346	<b>No. 772</b>	
_____ <u>Jan. 12</u> _____ 2005 _____ 00-5/740		
PAY TO THE ORDER OF	<u>Professional Business Associates</u>	<b>\$72.00</b>
<u>Seventy-two and 00/100</u>		Dollars.
<b>USA BANK</b> YOUR CITY, STATE 12345	_____ Jerry E. Wallace _____	
Memo <u>Material</u>		
:074000052:    6485.    6000789.    0000005012.		

- |   |  |
|---|--|
| <p>26. The drawee is:<br/>A. Jerry E. Wallace<br/>B. Professional Business Associates<br/>C. USA Bank<br/>D. None of the above</p> <p>27. The payee is:<br/>A. Jerry E. Wallace<br/>B. Professional Business Associates<br/>C. USA Bank<br/>D. None of the above</p> <p>28. The drawer is:<br/>A. Jerry E. Wallace<br/>B. Professional Business Associates<br/>C. USA Bank<br/>D. None of the above</p> | <p>29. The routing number is:<br/>A. Part of the ABA number<br/>B. One of the MICR numbers<br/>C. 740<br/>D. All of the above</p> <p>30. The amount of the check, once cleared, is found on the check:<br/>A. 1 time<br/>B. 2 times<br/>C. 3 times<br/>D. 4 times</p> <p>31. The purpose for writing the check:<br/>A. Needed cash<br/>B. To pay for Jerry Wallace<br/>C. To pay for supplies<br/>D. None of the above</p> |
|---|--|









# BANKING & FINANCE (06)

## KEY

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- **Job 3** – Reconcile Bank Statement \_\_\_\_\_ (24 pts.)

**TOTAL POINTS** \_\_\_\_\_ (**104**)

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**Graders:**

When grading computer-generated problems, refer to the *Style & Reference Manual* and Production Standards in the *Workplace Skills Assessment Program* Guidelines for further instructions.

Double-check and verify all scores!

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REGIONAL 2005  
KEY  
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1. /A♣ /B♣ /C♣ /D♣ /E♣
2. /A♣ /B♣ /C♣ /D♣ /E♣
3. /A♣ /B♣ /C♣ /D♣ /E♣
4. /A♣ /B♣ /C♣ /D♣ /E♣
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7. /A♣ /B♣ /C♣ /D♣ /E♣
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23. /A♣ /B♣ /C♣ /D♣ /E♣
24. /A♣ /B♣ /C♣ /D♣ /E♣
25. /A♣ /B♣ /C♣ /D♣ /E♣
26. /A♣ /B♣ /C♣ /D♣ /E♣
27. /A♣ /B♣ /C♣ /D♣ /E♣
28. /A♣ /B♣ /C♣ /D♣ /E♣
29. /A♣ /B♣ /C♣ /D♣ /E♣
30. /A♣ /B♣ /C♣ /D♣ /E♣
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**Job 1 – Check Writing**

Using the information on the check below, mark the correct answers for 26-31 on your Scantron form.

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_____ Jan 12 _____ 2005 00-5/740	
PAY TO THE ORDER OF Professional Business Associates	\$72.00
Seventy-two and 00/100	Dollars
<b>USA BANK</b> YOUR CITY, STATE 12345	Jerry E. Wallace
Memo <u>Material</u>	
1:074000052: 6485. 6000789. 0000005012.	

**Graders: 2 points each**

- |  |   |
|--|---|
| <p>26. The drawee is:<br/>A. Jerry E. Wallace<br/>B. Professional Business Associates<br/>C. <b>USA Bank</b><br/>D. None of the above</p> <p>27. The payee is:<br/>A. Jerry E. Wallace<br/>B. <b>Professional Business Associates</b><br/>C. USA Bank<br/>D. None of the above</p> <p>28. The drawer is:<br/>A. <b>Jerry E. Wallace</b><br/>B. Professional Business Associates<br/>C. USA Bank<br/>D. None of the above</p> | <p>29. The routing number is:<br/>A. Part of the ABA number<br/>B. One of the MICR numbers<br/>C. 740<br/>D. <b>All of the above</b></p> <p>30. The amount of the check, once cleared, is found on the check:<br/>A. 1 time<br/>B. 2 times<br/>C. <b>3 times</b><br/>D. 4 times</p> <p>31. The purpose for writing the check:<br/>A. Needed cash<br/>B. To pay for Jerry Wallace<br/>C. To pay for supplies<br/>D. <b>None of the above</b></p> |
|--|---|



**Job 2 – Check Register**

Complete the checkbook register by using the information listed for the checks written and deposits made. The transactions are listed in order by date.

<u>Date</u>	<u>Item No.</u>	<u>Description</u>	<u>Amount</u>
1/15/05		Cash deposit	\$100.00
1/30/05	701	Sunnyside Apartments	450.00
2/5/05		Deposit, paycheck	225.00
2/5/05	702	Cable and More	28.00
2/5/05	703	Best Videos	12.50
2/12/05		Deposit, paycheck	199.86
2/19/05	704	City Electric	82.65
2/19/05		ATM withdrawal	40.00

## Check Register

Check No.	Date	Check Issued To	Amount of Check	Amount of Deposit	Balance
					985.75
	1/15/05	Deposit (Cash)		100.00	1085.75
701	1/30/05	Sunnyside Apartments	450.00		635.75
	2/5/05	Deposit (Paycheck)		225.00	860.75
702	2/5/05	Cable and More	28.00		832.75
703	2/5/05	Best Videos	12.50		820.25
	2/12/05	Deposit (Paycheck)		199.86	1020.11
704	2/19/05	City Electric	82.65		937.46
	2/19/05	ATM	40.00		897.46

**Grader:** please award ½ point per correct entry (36 entries possible = 18 points)



**Job 3 – Reconcile Bank Statement**

Reconcile Bank Statement with the checkbook register from Job 2.

## BANK STATEMENT

STATEMENT DATE: Feb 10, 2005      BEGINNING BALANCE: \$ 985.75

DATE	CHECK NO.	CHECKS DEBIT (-)	DEPOSITS CREDIT (+)	BALANCE
				\$ 985.75
1/15/05			100.00	1,085.75
1/30/05	701	450.00		635.75
2/5/05			225.00	860.75
2/5/05	702	28.00		832.75
2/5/05	703	12.50		820.25

ENDING BALANCE: \$ 820.25

**RECONCILE THE ACCOUNT:**

1. Enter amount shown as statement balance.      \$ 820.25
2. Enter total amount of any deposits (credits) made after the statement date.      \$ 199.86
3. Add lines 1 and 2. Enter the total.      \$ 1020.11
4. Add all outstanding items (debits) not shown on the bank statement.      \$ 122.65
5. Subtract line 4 from 3. This is your reconciled balance.      \$ 897.46
6. Is there a difference with your checkbook register? If so, how much and why?      \$ 0.00

**Grader:** Please award 4 points for each correct entry = 24 points).