DSST® MONEY AND BANKING

EXAM INFORMATION

This exam was developed to enable schools to award credit to students for knowledge equivalent to that learned by students taking the course. The exam tests the knowledge of the role and kinds of money; commercial banks and other financial intermediaries; central banking and the Federal Reserve System; money and macroeconomics; U.S. monetary policy; and the international monetary system.

The exam contains 100 questions to be answered in 2 hours.

EXAM CONTENT OUTLINE

The following is an outline of the content areas covered in the examination. The approximate percentage of the examination devoted to each content area is also noted.

I. The Role and Kinds of Money – 5%
- a. Alternative definitions of money
- b. Money and other assets

II. Commercial Banks and Other Financial Intermediaries – 31%
- a. Deposit deregulation
- b. Structure of the banking industry
- c. Operation and management of
- d. financial markets and
- e. intermediaries
- f. Deposit insurance
- g. International banking

III. Central Banking and the Federal Reserve System – 18%
- a. Structure and organization
- b. Historical framework
- c. Current monetary management

IV. Money and Macroeconomic Activity – 21%
- a. Basic classical and Keynesian economics
- b. Monetarism and rational expectations
- c. Money and inflation

V. Monetary Policy in the United States – 18%
- a. Conducting monetary policy
- b. Targeting of monetary aggregates
- c. *vs.* interest rates
- d. Policy effectiveness
- e. Monetary *vs.* fiscal policy

VI. The International Monetary System – 7%
- a. International monetary institutions
- b. and the debt crisis
- c. International payments and
- d. exchange rates
- e. Monetary policy in conjunction
- f. with flexible exchange rates

REFERENCES

Below is a list of reference publications that were either used as a reference to create the exam, or were used as textbooks in college courses of the same or similar title at the time the test was developed. You may reference either the current edition of these titles **or** textbooks currently used at a local college or university for the same class title. It is recommended that you reference **more than one textbook** on the topics outlined in this fact sheet. You should **begin by checking textbook content against the content outline** provided **before** selecting textbooks that cover the test content from which to study.

Sources for study material are suggested but not limited to the following:

1. Kidwell, David S., Richard L. Peterson, and David W. Blackwell. *Financial Institutions, Markets, and Money*. Fort Worth, TX: Dryden Press, current edition.

2. Kohn, Meir. *Money, Banking, and Financial Markets*. Fort Worth, TX: Dryden Press, current edition.

3. Miller, Roger LeRoy, and David D. VanHoose. *Modern Money and Banking*. New York, NY: McGraw-Hill, current edition.

4. Mishkin, Frederick S. *The Economics of Money, Banking, and Financial Markets*. New York, NY: Harper Collins, current edition.

SAMPLE QUESTIONS

All test questions are in a multiple-choice format, with one correct answer and three incorrect options. These are samples of the types of questions that may appear on the exam. Other sample questions can be found in the form of practice exams by visiting our website at **www.getcollegecredit.com/testprep.**

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1. A deficit in a country's balance of payments tends to produce
   a. a fall in the exchange value of that country's currency

b. a gold flow into that country
c. an increase in the supply of foreign exchange in that country's market
d. deflation in that country

2. The major purpose of the Federal Deposit Insurance Corporation (FDIC) is to
   a. absorb any excess profits made by insured banks
   b. provide subsidies to weaker bank
   c. protect insured banks against loss caused by actual or threatened withdrawals
   d. give prior approval to insured banks for any loans of $1 million or more

3. Under the National Bank Act of 1863, the supply of National Bank notes was dependent on which of the following?
   a. decisions of the Board of Governors of the Federal Reserve
   b. the market value of certain types of United States government bonds
   c. restrictions set by the Federal Deposit Insurance Corporation (FDIC)
   d. annual decisions by Congress

4. Which of the following would be included in the Gross Domestic Product (GDP) accounting for the current period?
   a. personal consumption of goods acquired by families in prior periods
   b. government purchases of goods and services produced in the current period
   c. business investment in financial instruments in the current period
   d. personal saving in the current period

5. Which of the following is a component of Gross Private Domestic Investment?
   a. household savings
   b. Purchases of certificates of deposits issued by savings and loan associations
   c. Purchases of new automobiles by families
   d. Purchases of new equipment by businesses

6. One advantage of monetary policy over fiscal policy is that monetary policy
   a. is more flexible
   b. directly influences spending
   c. is automatic in operation
   d. has no discriminatory effects

7. Interest rates on long-term Treasury bonds are likely to be higher than on short-term Treasury bills when
   a. future short-term interest rates are expected to rise
   b. the general level of interest rates is expected to fall
   c. the rate of inflation is expected to fall
   d. a recession is anticipated

8. In the United States, the largest commercial banks hold a larger proportion of their assets as primary reserves than do smaller commercial banks because the largest banks
   a. are subject to higher reserve requirements
   b. are quasi-public institutions seeking only modest profits
   c. have higher capital-to-deposit ratios
   d. have more conservative lending policies

9. When a member country of the International Monetary Fund (IMF) uses the IMF credit facilities, that country ordinarily does which of the following?
   a. Makes a long-term loan to the IMF
   b. Puts in its own currency and takes out the currency desired
   c. Offers gold to the IMF in exchange for dollars.
   d. Borrows from the Federal Reserve System

CREDIT RECOMMENDATIONS

The American Council on Education's College Credit Recommendation Service (ACE CREDIT) has evaluated the DSST test development process and content of this exam. It has made the following recommendations:

Area or Course Equivalent	Money and Banking
Level	Upper-level baccalaureate
Amount of Credit	Three (3) semester hours
Minimum Score	400
Source	American Council on Education – College Credit Recommendation Service

Answers to sample questions: 1-A; 2-C; 3-B; 4-B; 5-D; 6-A; 7-A; 8-A; 9-B.

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