

# ch16

Student: \_\_\_\_\_

1. Two important input factors in financial intermediation are capital and labor.  
True False
2. Technological efficiency focuses exclusively on the cost side of financial intermediation.  
True False
3. According to Hitachi Data Systems, recovery time from system failures averages 12 hours.  
True False
4. As of the first quarter 2009, non-interest expense was 250 percent larger than interest expense for all FDIC insured banks.  
True False
5. Noninterest expense has increased faster than interest expense for all U.S. insured commercial banks in recent years.  
True False
6. The U.S. Treasury has recently proposed that banks carry a capital cushion against losses resulting from operational risk.  
True False
7. Bernie Madoff and his infamous Ponzi scheme is an example of external operational risk to the hedge funds he managed.  
True False
8. In recent years, U.S. banks have alone spent \$20 billion per year in technology related expenditures.  
True False
9. The initial steps of cross selling financial products can easily occur with computer technology.  
True False
10. Wholesale cash management services allow corporate customers to minimize cash balances and to monitor quickly cash transactions and balances.  
True False
11. Controlled disbursement accounts are designed to reduce the delay in check clearing.  
True False
12. Appropriate technology may allow an FI to achieve lower-cost funding.  
True False
13. Cash management services include the collection, disbursement, and transfer of funds.  
True False
14. Account reconciliation redirects funds from accounts in a large number of different banks to a few centralized accounts at one bank.  
True False
15. Retail banking services and products in recent years have moved strongly toward electronic payment technology.  
True False

16. New retail products and services based heavily on technology often are risky because of the high usage rate necessary to make them positive net present value projects.  
True False
17. The success in technologically related innovation often is dependent on changes in regulations and regulatory procedures.  
True False
18. Cross-market selling of financial products requires production of the products within the same branch or bank office.  
True False
19. Increases in the rate of innovation of new financial products, whether successful or not, is often credited to advances in technology.  
True False
20. The increased use of technology may have positive and negative effects on the perceived service quality provided to retail customers.  
True False
21. According to economic theory involving economies of scale, larger and more cost-efficient Is should prevail over smaller, less cost-efficient FIs.  
True False
22. If  $AC_{X+Y} < AC_X + AC_Y$ , where AC is average production cost and X and Y are products, economies of scope are present.  
True False
23. An increase in the cost of the joint production of services as compared to the production of those services independently is an example of diseconomies of scale.  
True False
24. Recent evidence suggests that economies of scale may exist for banks up to the \$10 billion to \$25 billion range.  
True False
25. Recent evidence strongly suggests that economies of scope exist for both asset and liability products, but not for off-balance-sheet products.  
True False
26. Banks in given size classes tend to have very little difference in cost structures.  
True False
27. In the U.S., electronic methods of payment account for a larger number of transactions, but a lower aggregate dollar value than nonelectronic methods of payment.  
True False
28. Compared to the United States, the use of electronic methods of payment is lower in other major developed countries.  
True False
29. As of August 2009, credit cards used in either a credit or debit function accounted for over 50 percent of the number of payments made in the U.S.  
True False
30. As of August 2009, credit cards used in either a credit or debit function accounted for less than 5 percent of the dollar value of payments made in the U.S.  
True False

31. Fedwire is a wire transfer network operated through the Federal Reserve System to assist banks in making financial transactions among themselves, on behalf of themselves and customers.  
True False
32. Fedwire is a wire transfer network of over 6,300 international FIs with the Federal Reserve System.  
True False
33. Daily Fedwire and CHIPS transaction volume never exceeds the amount of bank reserves.  
True False
34. As of 2009, the combined value of payments sent over Fedwire and CHIPS often exceeded \$4.5 trillion a day.  
True False
35. Funds transferred on CHIPS are settled at the end of the day.  
True False
36. Funds transferred on the Fedwire are settled immediately.  
True False
37. Daylight overdraft risk occurs because banks often provide immediate credit to customers for deposits, even though the funds may not arrive until later in the day or the next day.  
True False
38. CHIPS guarantees that any wire transfer is final at the time it is made.  
True False
39. The Fed has begun to charge either a fee or an interest rate for daylight overdrafts.  
True False
40. Regulation F requires financial institutions to develop internal procedures to limit settlement exposures to correspondent banks.  
True False
41. The use of ATMs in European countries has grown at a slower rate than in the U.S.  
True False
42. The increased use of wire transfers as a replacement for check and cash payments has increased the risk of fraud.  
True False
43. Delaware and South Dakota have become leading states in the distribution of some financial services because of liberal regulations.  
True False
44. Usury ceilings placing ceilings on interest rates that FIs can charge on certain types of loans are always established by federal regulatory authorities.  
True False
45. The U.S. tax burden faced by domestic FIs has been minimized, in part, by the ability to use international wire networks for the transfer of funds.  
True False
46. The operational risk faced by an FI includes sources other than technology.  
True False
47. Regulators have proposed that operational risk should be measured for the purpose of meeting overall capital adequacy.  
True False

48. How can operating income of an FI be increased by improved technological efficiency?
- A. By improving the efficiency of management of information flows.
  - B. By obtaining access to low cost sources of funds.
  - C. By linking services to the quality of the FI's technology.
  - D. By innovating new interest earning products.
  - E. By complying with all government regulations.
49. How can operating expenses of an FI be reduced by improved technological efficiency?
- A. By improving the efficiency of management of information flows.
  - B. By obtaining access to low cost sources of funds.
  - C. By linking services to the quality of the FI's technology.
  - D. By innovating new interest earning products.
  - E. By complying with all government regulations.
50. How can interest expense of an FI be reduced by improved technological efficiency?
- A. By improving the efficiency of management of information flows.
  - B. By obtaining access to low cost sources of funds.
  - C. By linking services to the quality of the FI's technology.
  - D. By innovating new interest earning products.
  - E. By complying with all government regulations.
51. How can interest income of an FI be increased by improved technological efficiency?
- A. By improving the efficiency of management of information flows.
  - B. By obtaining access to low cost sources of funds.
  - C. By linking services to the quality of the FI's technology.
  - D. By innovating new interest earning products.
  - E. By complying with all government regulations.
52. Which of the following is NOT a source of operational risk for an FI?
- A. Capital assets.
  - B. Customer relationships.
  - C. Technology.
  - D. Employees.
  - E. Positive duration gap.
53. Which of the following are potential benefits of technology for an FI?
- A. Service quality, especially for customers of large banks.
  - B. The rate of innovation of new products has increased.
  - C. FIs can more easily cross-market new and existing products to customers.
  - D. Only two of the above are benefits.
  - E. All of the above.
54. Which of the following occur when managers undertake growth-oriented investments to increase an FI's size that may be inconsistent with stockholders' value-maximizing objectives?
- A. Technology risk.
  - B. Operational efficiency.
  - C. Agency conflicts.
  - D. Diseconomies of scale.
  - E. Diseconomies of scope.
55. The dollar amount of which of the following items has been increasing in the U.S. banking industry in recent years?
- A. Interest expense.
  - B. Noninterest expense.
  - C. Net income.
  - D. Provision for loan losses.
  - E. Net securities gains or losses.

56. What is float?
- A. Overnight payments via CHIPS or Fedwire.
  - B. Encoding, endorsing, microfilming, and handling customers' checks.
  - C. Time it takes a check to clear at a bank.
  - D. Management of multiple currency and security portfolios for trading and investment purposes.
  - E. Interval between the dispatch of a bill and actual payment by the consumer.
57. Which of the following is a centralized collection service for corporate payments that helps reduce the float?
- A. Funds concentration.
  - B. Electronic billing.
  - C. Treasury management.
  - D. Controlled disbursement accounts.
  - E. Wholesale lockbox.
58. Which of the following wholesale services offered by FIs allows businesses to transfer and transact invoices, purchase orders, and shipping notices automatically?
- A. Electronic data exchange.
  - B. E-commerce facilitation.
  - C. Electronic billing.
  - D. Electronic funds transfer.
  - E. Account reconciliation.
59. Which of the following wholesale services offered by FIs to businesses allows the FI to combine the e-mail capabilities of the Internet with the FIs ability to process payments electronically through the interbank payment networks?
- A. Electronic data exchange.
  - B. E-commerce facilitation.
  - C. Electronic billing.
  - D. Electronic funds transfer.
  - E. Account reconciliation.
60. Which of the following partially explains why cash management services have not attracted customers in Europe to the degree that they have in the US?
- A. Prevalence of nationwide branching and banking in Europe.
  - B. Prevalence of interregional banking restrictions in Europe.
  - C. Prohibitive charges imposed for the use of domestic telephone lines in Europe.
  - D. Prohibitive charges imposed on such services in Europe.
  - E. None of the above.
61. Which of the following explains why ATM networks have grown relatively slowly in countries such as Sweden and Singapore?
- A. Absence of interregional banking restrictions in these countries.
  - B. Prevalence of nationwide branching and banking in these countries.
  - C. Prohibitive charges imposed for the use and leasing of domestic telephone lines.
  - D. Crime and fraud risk.
  - E. None of the above.
62. Which of the following implies reduced unit costs as size or volume of assets increases?
- A. Diseconomies of scale.
  - B. Economies of scale.
  - C. Economies of scope.
  - D. Diseconomies of scope.
  - E. Constant returns to scale.

63. Which of the following implies reduced unit costs as the range of products offered increases inputs in producing multiple products?
- A. Diseconomies of scale.
  - B. Economies of scale.
  - C. Economies of scope.
  - D. Diseconomies of scope.
  - E. Constant returns to scale.
64. Large-scale investment projects that lead to excess capacity and integration problems that create cost overruns and control problems are examples of
- A. diseconomies of scale.
  - B. economies of scale.
  - C. economies of scope.
  - D. diseconomies of scope.
  - E. constant returns to scale.
65. Which of the following implies that small FIs are more cost efficient than large FIs, and that in a freely competitive environment for financial services, small FIs may outperform their larger counterparts?
- A. Economies of scale.
  - B. Diseconomies of scale.
  - C. Economies of scope.
  - D. Diseconomies of scope.
  - E. Constant returns to scale.
66. Which of the following occurs if the costs of joint production of FI services are higher than they would be if they were produced independently?
- A. Economies of scale.
  - B. Diseconomies of scale.
  - C. Economies of scope.
  - D. Diseconomies of scope.
  - E. Constant returns to scale.
67. According to studies, which of the following may better explain cost differences and operating cost efficiencies among FIs?
- A. Diseconomies of scale.
  - B. Economies of scale.
  - C. Economies of scope.
  - D. X-inefficiencies.
  - E. Diseconomies of scope.
68. Which of the following best describes economies of scope?
- A. Occur when the average cost of production decreases as the level of output increases.
  - B. Cost effects related to managerial ability and other hard-to-quantify factors.
  - C. Occur when cost savings are realized from using many of the same inputs to produce multiple products.
  - D. Occur when the average cost of production increases as the level of output increases.
  - E. Occur when cost increases are realized from using many of the same inputs to produce multiple products.
69. Which of the following best describes X-inefficiencies?
- A. The average cost of production decreases as the level of output increases.
  - B. The effects on costs related to managerial ability and other hard-to-quantify factors.
  - C. Cost savings are realized from using many of the same inputs to produce multiple products.
  - D. The average cost of production increases as the level of output increases.
  - E. Cost increases are realized from using many of the same inputs to produce multiple products.

70. Which of the following best describe economies of scale?
- A. The average cost of production decreases as the level of output increases.
  - B. The effects on costs related to managerial ability and other hard-to-quantify factors.
  - C. Cost savings are realized from using many of the same inputs to produce multiple products.
  - D. The average cost of production increases as the level of output increases.
  - E. Cost increases are realized from using many of the same inputs to produce multiple products.
71. Which of the following are the two basic approaches to analyzing the cost functions of FIs?
- A. Basic indicator approach and standardized approach.
  - B. Standardized approach and advanced measurement approach.
  - C. Production approach and intermediation approach.
  - D. Basic indicator approach and advanced measurement approach.
  - E. Intermediation approach and advanced measurement approach.
72. Which of the following observations concerning the production approach is true?
- A. It views FIs' outputs of services as having three underlying inputs.
  - B. Labor and capital are the only inputs.
  - C. It views the output as being produced by labor, capital and the funds used to produce intermediated services.
  - D. Deposit costs are viewed as an input in the banking and thrift industries.
  - E. None of the above.
73. Which of the following observations concerning the intermediation approach is true?
- A. It views FIs' outputs of services as having two underlying inputs.
  - B. Labor and capital are the only inputs.
  - C. It views the output as being produced by labor, capital and the funds used to produce intermediated services.
  - D. Premiums or reserves are viewed as an input in the banking and thrift industries.
  - E. None of the above.
74. Which of the following statements is NOT true?
- A. The Federal Reserve operates the Fedwire electronic payments system while CHIPS is a private network.
  - B. Fedwire is used to transfer funds from the Fed to the banking system while CHIPS is used to make interbank funds transfers.
  - C. The Fed guarantees all payments on Fedwire while CHIPS transfers are provisional until settlement.
  - D. Large daylight overdrafts are incurred on both Fedwire and CHIPS.
  - E. Neither Fedwire nor CHIPS charges interest or fees for daylight overdrafts.
75. As of August 2009, which of the following represented the highest percent of the dollar value of noncash transactions in the United States?
- A. Checks.
  - B. Credit cards.
  - C. Debit transfers.
  - D. E-money payments.
  - E. Credit transfers.
76. As of August 2009, which of the following accounts for the highest volume of noncash transactions in the United States?
- A. Checks.
  - B. Credit cards.
  - C. Debit transfers.
  - D. E-money payments.
  - E. Credit transfers.

77. As of August 2009, which of the following represented the highest percent of the dollar value of noncash transactions worldwide?
- A. Checks.
  - B. Credit cards.
  - C. Debit transfers.
  - D. E-money payments.
  - E. Credit transfers.
78. As of August 2009, which of the following accounts for the highest volume of noncash transactions worldwide?
- A. Checks.
  - B. Credit cards.
  - C. Debit transfers.
  - D. E-money payments.
  - E. Credit transfers.
79. Which of the following observations concerning e-money is NOT true?
- A. Check writing lays the foundation of e-money.
  - B. E-money removes the middleman from a transaction.
  - C. The e-money user transfers the money from his or her bank account to the account of the funds' receiver.
  - D. The primary function of e-money is to facilitate transactions on the Internet.
  - E. E-money is not a cost efficient way of managing transactions that are small in value.
80. Which of the following observations is NOT true?
- A. The use of electronic methods of payment is far higher in major developed countries other than the United States.
  - B. E-money payments are virtually nonexistent in the United States.
  - C. Money stored in e-money accounts and cards is covered by deposit insurance.
  - D. U.S. FIs have been slow in adopting and using online banking and electronic payment methods extensively.
  - E. All of the above.
81. Settlement risk is important because
- A. of the interdependent nature of many international transactions.
  - B. of the impact on sovereign country risk.
  - C. problems may induce countries to limit the freedom of international capital flows.
  - D. the electronic funds transfer network itself may become insolvent.
  - E. the Fed's guarantee may prove to be even more costly to the Federal government than the thrift debacle.
82. Daylight overdrafts occur when
- A. FIs in different time zones clear transactions.
  - B. FI debits exceed credits during the day.
  - C. FI credits exceed debits during the day.
  - D. the sum of all debits transmitted over the system exceed the sum of all credits during the day.
  - E. the sum of all credits transmitted over the system exceed the sum of all debits during the day.
83. Daylight overdraft
- A. is a bank's negative intraday balance in its reserve account at the Fed.
  - B. does not occur under the current payments system.
  - C. invites a fee is 50 basis points, quoted as an annual rate on the basis of a 24-hour day.
  - D. has a seasonal component.
  - E. is not a potential source of instability in the financial markets.

84. Suppose that the doubling of a bank's deposit funding allows the bank to triple its loan output. What can you conclude about the bank's production technology?
- It exhibits economies of scale using the production approach.
  - It exhibits diseconomies of scale using the production approach.
  - It exhibits diseconomies of scale using the intermediation approach.
  - It exhibits economies of scale using the intermediation approach.
  - It exhibits neither economies nor diseconomies of scale.
85. Why has empirical evidence on economies of scale and scope been so contradictory?
- Data on bank costs are unavailable.
  - Efficiency may be related to overall market conditions.
  - Efficiency may be related to non-quantifiable variables such as managerial ability.
  - Neither the intermediation nor the production approach conform to reality.
  - The methodology to detect economies of scale and scope are still very rudimentary.
86. Which of the following is consistent with economies of scope? The subscript "b" refers to a banking firm, "s" for a securities firm, "AC" is average costs and "TC" is total costs.
- $AC_{b+s} > AC_b + AC_s$ .
  - $AC_{b+s} = AC_b + AC_s$ .
  - $AC_{b+s} < AC_b + AC_s$ .
  - $TC_{b+s} < TC_b + TC_s$ .
  - $TC_{b+s} > TC_b + TC_s$ .
87. Which is the most important banking area in which technology has had an impact?
- Cash-management services.
  - Residential mortgage lending.
  - Issuance of certificates of deposit.
  - Credit approval.
  - None of the above.
88. Which of the following is NOT a wholesale banking service?
- Controlled disbursement accounts.
  - Account reconciliation.
  - Electronic funds transfer.
  - Electronic initiation of letters of credit.
  - Automated teller machines.
89. Which of the following is NOT a retail banking service?
- Check deposit services.
  - Point of sale/debit cards.
  - Telephone bill paying services.
  - Pre-authorized debits/credits.
  - Automated teller machines.

90. Choose among the following services provided by modern FIs to answer questions 90 to 103.

1. Encoding, endorsing, microfilming, and handling customers' checks	Assisting small business entries into e-commerce. _
2. Automating the information flow associated with the procurement and distribution of goods and services between businesses	Verifying identities. _
3. Using encryption technology to assist in the electronic transaction of business between customers and businesses	Electronic billing. _
4. Moving funds from accounts in several FIs into a few centralized accounts at one FI	Facilitating business-to-business e-commerce. _
5. The transmission of payments and payment messages by CHIPS, SWIFT, Fedwire, etc	Electronic data interchange. _
6. A centralized collection service where the payments are received on-line for corporate customers	Treasury management software. _
7. Allows efficient management of multiple currency and security portfolios for trading and investment purposes	Electronic initiation of letters of credit. _
8. Providing for the transmission of invoices, purchase orders, and shipping notices automatically using FIs as clearinghouses	Check deposit services. _
9. Coordinating the need for funds early in the day with a wire transfer to allow disbursement of the funds later in the day	Electronic funds transfer. _
10. Allows customers in a network to access FI computers to initiate letters of credit	Funds concentration. _
11. Helping small firms set up electronic infrastructure for payment capabilities and interactive website capability	Electronic lockbox. _
12. A feature that records which checks have been paid by the FI	Wholesale lockbox. _
13. A centralized collection service for corporate payments to reduce the delay in check clearing	Account reconciliation. _
14. Combining the e-mail capability of the Internet and the interbank payment networks to assist in the presentation and collection of invoices	Controlled disbursement accounts. _

Consider the following two FIs: Company A has \$500 million in total assets and total costs equal to \$200 million. Company B has \$60 million in total assets and total costs equal to \$24 million.

91. What are average costs for each FI?

- \$0.40 for A and \$2.50 for B.
- \$2.50 for both A and B.
- \$2.50 for A and \$0.40 for B.
- \$0.40 for both A and B.
- Insufficient information.

92. What can you conclude about the cost structure of the market consisting of the two FIs?
- There are significant economies of scale because both companies A and B coexist in the industry.
  - There are no significant economies of scale because company A is much larger than company B.
  - There are no significant economies of scale because the unit costs are constant.
  - There are significant economies of scale because the unit costs decline as size increases.
  - There are no significant economies of scale because the unit costs increase as size increases.
93. Assume a third FI (company C) operates in the same market with two FIs, and it has \$800 million in assets and total costs of \$420 million. What can you conclude about the cost structure of the FIs in this market?
- There are significant economies of scale because companies A, B, and C coexist in the industry.
  - There are no significant economies of scale because both companies A and C are much larger than company B.
  - There are no significant economies of scale because the unit costs are constant.
  - There are significant economies of scale beyond the \$500 million asset size.
  - There are no significant economies of scale because the unit costs increase as size increases.

A new computer system is expected to cost \$40 million and generate annual savings of \$12 million over the next five years.

94. Should the bank invest in this project if the discount rate is 12 percent?
- Yes, because the net present value of the project is \$3,257,314.
  - No, because the net present value of the project is -\$3,257,314.
  - Yes, because the net present value of the project is \$20 million.
  - No, because the net present value of the project is -\$20 million.
  - Yes, because the net present value of the project is \$4,980,000.
95. Should the bank invest in this project if the discount rate is 18 percent?
- Yes, because the net present value of the project is \$2,473,948.
  - No, because the net present value of the project is -\$2,473,948.
  - Yes, because the net present value of the project is \$24.8 million.
  - No, because the net present value of the project is -\$24.8 million.
  - Yes, because the net present value of the project is \$1,342,688.
96. What is the IRR for this investment?
- 11.18 percent.
  - 12.98 percent.
  - 15.24 percent.
  - 12.00 percent.
  - 18.00 percent.

Spruce Bank is planning to automate some of its back office functions and reduce operating costs. The installation of new computers and software will require an initial investment of \$1,000,000. The savings generated because of reduced personnel cost is \$200,000 per year. The bank uses an 8 percent rate of discount to evaluate cost saving projects which are expected to last 10 years.

97. Should the bank undertake the project given the above information?
- Yes, because the NPV of the project is \$500,000.
  - Yes, because the NPV of the project is \$342,016.
  - No, because the NPV of the project is -\$500,000.
  - No, because the NPV of the project is -\$201,458.
  - No, because the IRR of the project is lower than 12 percent.

98. On further analysis, it is estimated that the project has a finite life of 5 years, i.e. further investment will be required to generate the same savings. Should they undertake the project if they assume a five-year horizon for evaluating the project?
- A. Yes, because the NPV of the project is \$500,000.
  - B. Yes, because the NPV of the project is \$342,016.
  - C. No, because the NPV of the project is -\$500,000.
  - D. No, because the NPV of the project is -\$201,458.
  - E. No, because the IRR of the project is greater than 15 percent.
99. What must be the minimum annual cost savings in order to accept this project? Assume a five-year horizon.
- A. \$200,000.
  - B. \$222,256.
  - C. \$250,456.
  - D. \$279,724.
  - E. \$500,913.
100. The maximum cost savings that can be generated with this new equipment has been estimated to be \$264,237. In order to accept this project, what is the minimum number of years the projected savings must be realized before the project breaks even?
- A. 3.7 years.
  - B. 4.7 years.
  - C. 5.7 years.
  - D. 6.7 years.
  - E. 7.7 years.

**The following information is available on the average costs of the three major banks in a given local market. Bank A has assets of \$10 million and average costs are 15 percent, Bank B has assets of \$20 million and average costs of 13 percent while Bank C has assets of \$30 million with average costs of 12 percent. Average costs are measured as a proportion of total assets.**

101. The above figures indicate that
- A. there are significant economies of scale still present in the local markets.
  - B. there are significant diseconomies of scale still present in the local markets.
  - C. there are significant economies of scope still present in the local markets.
  - D. there are significant diseconomies of scope still present in the local markets.
  - E. there is not enough information to determine economies of scale or scope.
102. Bank B plans to acquire Bank A and in the process cut costs by \$100,000. What is the combined bank's average costs?
- A. 12.00 percent.
  - B. 12.67 percent.
  - C. 13.00 percent.
  - D. 13.33 percent.
  - E. 15.00 percent.
103. By how much should operating costs of the combined entity (Bank A + Bank B) be reduced in order to stay competitive in the local market, ceteris paribus?
- A. \$900,000.
  - B. \$600,000.
  - C. \$500,000.
  - D. \$400,000.
  - E. \$300,000.

## ch16 Key

1. TRUE
2. FALSE
3. TRUE
4. TRUE
5. TRUE
6. FALSE
7. FALSE
8. TRUE
9. TRUE
10. TRUE
11. FALSE
12. TRUE
13. TRUE
14. FALSE
15. TRUE
16. TRUE
17. TRUE
18. FALSE
19. TRUE
20. TRUE
21. TRUE
22. TRUE
23. FALSE
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27. FALSE
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29. TRUE
30. TRUE
31. TRUE
32. FALSE
33. FALSE
34. TRUE
35. FALSE
36. FALSE

- 37. TRUE
- 38. FALSE
- 39. TRUE
- 40. TRUE
- 41. TRUE
- 42. TRUE
- 43. TRUE
- 44. FALSE
- 45. TRUE
- 46. TRUE
- 47. TRUE
- 48. C
- 49. A
- 50. B
- 51. D
- 52. E
- 53. E
- 54. C
- 55. B
- 56. C
- 57. E
- 58. A
- 59. C
- 60. A
- 61. C
- 62. B
- 63. C
- 64. A
- 65. B
- 66. D
- 67. D
- 68. C
- 69. B
- 70. A
- 71. C
- 72. B
- 73. C
- 74. B

- 75. A
- 76. B
- 77. E
- 78. B
- 79. E
- 80. C
- 81. A
- 82. B
- 83. A
- 84. D
- 85. C
- 86. C
- 87. A
- 88. E
- 89. A

90. Helping small firms set up electronic infrastructure for payment capabilities and interactive website capability :: Assisting small business entries into e-commerce. *and* Using encryption technology to assist in the electronic transaction of business between customers and businesses :: Verifying identities. *and* Combining the e-mail capability of the Internet and the interbank payment networks to assist in the presentation and collection of invoices :: Electronic billing. *and* Automating the information flow associated with the procurement and distribution of goods and services between businesses :: Facilitating business-to-business e-commerce. *and* Providing for the transmission of invoices, purchase orders, and shipping notices automatically using FIs as clearinghouses :: Electronic data interchange. *and* Allows efficient management of multiple currency and security portfolios for trading and investment purposes :: Treasury management software. *and* Allows customers in a network to access FI computers to initiate letters of credit :: Electronic initiation of letters of credit. *and* Encoding, endorsing, microfilming, and handling customers' checks :: Check deposit services. *and* The transmission of payments and payment messages by CHIPS, SWIFT, Fedwire, etc :: Electronic funds transfer. *and* Moving funds from accounts in several FIs into a few centralized accounts at one FI :: Funds concentration. *and* A centralized collection service where the payments are received on-line for corporate customers :: Electronic lockbox. *and* A centralized collection service for corporate payments to reduce the delay in check clearing :: Wholesale lockbox. *and* A feature that records which checks have been paid by the FI :: Account reconciliation. *and* Coordinating the need for funds early in the day with a wire transfer to allow disbursement of the funds later in the day :: Controlled disbursement accounts.

- 91. D
- 92. C
- 93. D
- 94. A
- 95. B
- 96. C
- 97. B
- 98. D
- 99. C
- 100. B
- 101. A
- 102. D
- 103. C

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