

Business and Personal Finance © 2012

Chapter 2: Economics and the Global Economy

Check Your Answers: Section Assessment

Section 1

Review Key Concepts

- 1.** Money functions as a medium of exchange, a unit of value, and a store of value. The main properties of money are that it is divisible, usable, and stable.
- 2.** Regulator, protector, and assistant for the economy.
- 3.** The Federal Budget projects the revenue the government expects to generate and the costs of running the government. A balanced budget is when anticipated expenses match expected revenue.
- 4.** Answers will vary. Sample response: The SEC protects investors by regulating the sale of stocks and bonds; OSHA protects workers by creating and enforcing safety guidelines; the FDA protects consumers by regulating the safety and labeling of food, drugs, and cosmetics; the EPA protects the environment.
- 5.** The Federal Reserve is made up of a Board of Governors and 12 Federal Reserve banks. It supervises and regulates financial institutions; provides banking services to banks and the government; writes regulations and implements consumer protection laws; and offers information on economy, consumer credit and monetary policy.
- 6.** The main source of government revenue is taxes. The government spends more than it gets in revenue, causing a budget deficit. The government borrows money to cover the deficit, creating the national debt.

Higher Order Thinking

- 7.** Answers may vary. The government controls the federal funds rate. If the government raises the rate, the rates on loans will increase.

21st Century Skills

- 8. Property Rights** Downloading music from the Internet is considered illegal when the downloader does not pay. Those that download illegally in the United States can be imprisoned, fined and/or sued.

Mathematics

- 9. Government Budget** Total earned = $\$2,500,000 + \$4,750,000 + \$6,420,000 = \$13,670,000$; Total surplus/(deficit) = $\$13,670,000 - \$13,340,000 = \$330,000$ surplus.