CONTENTS/TEACHING OUTLINE

F. BANKING

COMPETENCY: 7.00 Explain the importance of banking among government, business, and the consumer.

OBJECTIVE: 7.01 Analyze the roles/responsibilities of the Federal Reserve.

I. STRUCTURE OF THE FEDERAL RESERVE SYSTEM.

- A. Organized by the Federal Government in 1913 to supervise and regulate banks.
  1. Assists banks with serving the public more efficiently.
  2. Known as the "bank's bank". The central bank of the United States.
  3. All national banks are required to join the Federal Reserve System
  4. State banks have the option of joining the system.
- B. Divisions of The Federal Reserve
  1. Divisions are called districts. There are 12 districts in the United States.
  2. Every state comes under a district.
  3. Each Federal Reserve Bank is a corporation, owned by its member banks.

II. FEDERAL RESERVE ACTIVITIES

- A. The Fed supervises banks.
  1. Accepts deposits of member banks.
     - a. Some federal tax money is deposited in the Federal Reserve Bank.
     - b. The Fed holds a checking account for the United States Treasury.
  2. Lends money to member banks.
  3. Inspects banks yearly through auditing financial records.
  4. Holds reserves.
     - a. Bank must keep a percentage of their funds on deposit with the Federal Reserve.
     - b. Protects depositor's money.
     - c. Helps the banking system operate more efficiently.
  5. The Fed sets standards for consumer legislation dealing with lending and credit.
  6. Sets limits for loans and investments by member banks.
  7. Approves bank mergers.
- B. The Fed participates in open market operations by buying and selling federal government securities (treasury bills and bonds).
  1. Regulates money supply
  2. Most frequent method of controlling the economy.

CONTENTS/TEACHING OUTLINE

F. BANKING

COMPENTENCY: **7.00 Explain the importance of banking among government, business, and the consumer.**

OBJECTIVE: **7.02 Evaluate ways that commercial banks can assist consumers with money management.**

I. COMMERCIAL BANK SERVICES THAT ASSIST WITH MONEY MANAGEMENT

- A. Accepting deposits
  1. Safe method of saving for the future
  2. Money earns interest
  3. Less temptation to spend money
- B. Transferring funds (EFT)
  1. Automatic payments help in budgeting and paying bills
  2. Automatic transfer
     - a. Systematic savings habit (transfer to savings account)
     - b. Allows savings to be transferred to checking for unexpected expenses
  3. Automatic deposit allows paychecks to be automatically deposited into checking account
  4. ATM allows transactions at convenient times
  5. Debit card (or payment with ATM card) allows purchases to be made without cash
  6. Home banking
     - a. Inquiries/assistance with accounts
     - b. Use of computer in bill paying
- C. Lending money
  1. Loans for major purchases (home, automobile, college)
  2. Bank credit card for use when traveling
- D. Storing valuables
  1. Offers safe-deposit boxes
  2. Boxes located in well-guarded vaults
  3. Purchased by customers to safely store important items/documents
- E. Providing financial advice and investment services
  1. How to manage money more efficiently
  2. Advice on purchasing bonds and real estate
- F. Trust management
  1. Manages investments on behalf of their customers
  2. Helps with managing investments on behalf of the young and elderly

CONTENTS/TEACHING OUTLINE

F. BANKING

COMPETENCY: 7.00 Explain the importance of banking among government, business, and the consumer.

OBJECTIVE: 7.03 Discuss technological advances and their impact on the banking industry.

I. ELECTRONIC FUNDS TRANSFER.

A. Automatic Teller Machines (ATMs)
   1. Convenient and easy to use for customers, 24- hour a day service.
   2. Eliminates need for some bank tellers.
   3. Fees for transactions generate income for bank
   4. Funds are transferred more quickly.
   5. Customer safety is a concern as ATMs are accessible 24 hours a day.

B. Banking at home
   1. Allows customers on-line access to account information and transactions at any time and any place.
   2. Some employees will need re-training.
   3. Account security becomes an issue.

C. Point of Sale (POS) transactions using an ATM card are now possible at gas stations, supermarkets, retail stores, and restaurants.
   1. Reduces the amount of paper work for transactions.
   2. Customer accounts are updated instantly.

D. Direct deposit allows customer paychecks to be deposited electronically.
   1. Reduces paper work.
   2. Customer accounts are updated instantly.

E. Debit cards will reduce/eliminate the need for checkbooks.
   1. Convenient and easy to use.
   2. Accounts are updated immediately.

F. Internet and on-line banking offer many services and great convenience; account security is an issue.

G. Electronic money (E-cash)
   1. Customer pays face value for a programmed plastic card worth a certain amount of money.
   2. Customer can use the card in place of cash, until all E-cash is spent.
   3. Funds are transferred electronically from the customer's account to the merchant's account.
   4. May be a problem for the Federal Reserve and our monetary system.

II. MAGNETIC INK/OPTICAL CHARACTER RECOGNITION (MICR/OCR)

A. Checks are sorted and exchanged electronically.
B. Saves time and money.
C. Most checks are not verified by humans at the bank.
D. Banks responsible if forged check is cashed.

III. AUTOMATED CLEARINGHOUSE (ACH)

A. Electronically transfer funds between accounts in different banks.
B. Used for Federal Reserve check clearing.

IV. OTHER USES OF THE COMPUTER IN BANKING

A. Fast/instant loan approval for customers.
B. Customer bank statements are computer generated.
C. Photogenic record of canceled checks on microfilm/microfilm (check safekeeping).
D. Customer records are always up-to-date.
E. Customer can print checks at home with personal computers.

CONTENT/TEACHING OUTLINE

F: BANKING

COMPETENCY: **7.00 Explain the importance of banking among government, business, and the consumer.**

OBJECTIVE: **7.04 Evaluate the various types of checking accounts available through financial institutions.**

I. TYPES OF CHECKING ACCOUNTS

   A. Regular Checking
      1. Best option for those who write a large number of checks.
      2. No service charge for checks as long as account minimum balance is maintained.
      3. Balance minimum is usually $300 or greater.
   B. Interest Checking (NOW accounts)
      1. Usually require minimum monthly balance.
      2. Interest rate varies from 2-4% depending on economy.
      3. A higher rate is paid when minimum balance is maintained.
      4. If account balance goes below minimum allowed, no interest is paid and a service charge is added.
      5. Usually allows for unlimited check writing.
      6. A debit card is usually available.
   C. Deluxe Interest Checking (Super NOW Accounts)
      1. Requires large minimum balance; usually over $1500.
      2. A debit card is available at no additional charge.
      3. A bank credit card is also available at no extra cost.
      4. Interest is earned if the average minimum balance is maintained.
   D. Other Types of Checking Accounts
      1. Special checking accounts
         a. Used when writing a few checks a month.
         b. Requires no or low minimum monthly balance
         c. Small charge assessed for writing checks, usually 10-20¢ each.
         d. There may also be a small monthly charge for the account.
      2. Credit Union Accounts
         a. Checking accounts are known as sharedrafts.
         b. Interest rates vary on these accounts.

PRINCIPLES OF BUSINESS AND PERSONAL FINANCE

F. BANKING

COMPETENCY: **7.00 explain the importance of banking among government, business, and the consumer.**

OBJECTIVE: **7.05 Demonstrate accuracy in the following areas:**

- **a. Opening a persona checking/savings account.**
- **b. Making a bank deposit.**
- **c. Withdrawing funds.**
- **d. Writing and endorsing checks.**
- **e. Maintaining a check register.**
- f. **Reconciling a bank statement.**

I. OPENING A CHECKING ACCOUNT

A. Signature card
   1. Use full name (or names if a joint account).
   2. Checks should be signed with the same name.
B. An initial deposit must be made using a deposit slip.
C. Checks, checkbooks and temporary checks

II. OPENING A SAVINGS ACCOUNT

A. Signature card
B. Initial deposit.
C. Deposit slip
D. Savings account register or passbook.

III. MAKING A DEPOSIT

A. Accounting information
   1. Depositor's name.
   2. Account number.
   3. Date of transaction.
B. List amount of money being deposited.
   1. Currency - paper money/dollar bills.
   2. Coins

3. Checks
    a. Listed separately.
    b. Identified by ABA number
    c. Total amount to be deposited.
4. Totals
    a. Cash received deducted from total.
    b. Signature required if receiving cash back.

IV. WITHDRAWALS

A. Checks written to withdraw from a checking account.
    1. Check stub or check register completed first.
    2. Check written.
        a. Use blue or black ink
        b. Record the date
        c. Record payee's name
        d. Write amount of the check in figures after the dollar sign.
        e. Write the amount of the check in words on the line under the payee's name. Write the cent portion of the amount as a fraction of a dollar.
        f. Record the purpose of the check on the memo line
        g. Sign the check with the same signature that was used on the signature card.
    3. Check cards
B. Withdrawing from savings.
    1. Complete withdrawal slip.
    2. Withdrawals made through EFT, such as the ATM.
    3. Record withdrawal in savings account register.

V. ENDORSING CHECKS

A. Blank endorsement.
    1. Name signed as it appears on the front of the check.
    2. Different name on check from name on signature card
        a. Endorser may have to sign the check twice
        b. Signed the way it appears on the front of the check and the way the name appears on the signature card.
    3. Best used when presenting a check at the bank.

B. Special/full endorsement
    1. Transfer payment to another party.
    2. Usually includes the words *"Pay to the Order of"* and the new payee's name, followed by the endorser's signature.
C. Restrictive endorsement.
    1. Limits further use of the check.
    2. Usually includes *"For deposit only"* and the signature of the endorser.

VI. CHECK REGISTER

A. Should be prepared as checks are written.
B. Check number or transaction code should be recorded.
C. Date should be recorded.
D. Payee's name and purpose of the check should be written.
E. Amount of payment or withdrawal (ATM) or the amount of the deposit should be entered.
F. Calculate new balance
   1. Subtract checks, withdrawals, fees, or any other type of payment from the previous balance.
   2. Add deposits to previous balance to get new balance.

VII. RECONCILING A BANK STATEMENT

A. Bank statement should be examined to determine outstanding checks and outstanding deposits.
B. Outstanding deposits should be added to the bank statement balance.
C. Total outstanding checks should be subtracted from the adjusted bank statement balance.
D. Service charges and automatic payments should be subtracted from the checkbook balance.
E. Any interest earned should be added to the checkbook balance.
F. The adjusted bank statement balance should equal the adjusted checkbook balance.

VIII. ELECTRONIC SPREADSHEETS

A. Can be used to maintain checkbook register.
B. Can be used to reconcile a bank statement.

IX. PRE-PACKAGED PERSONAL FINANCE SOFTWARE

A. Several software programs are available to help manage personal finances.
   1. Microsoft Money
   2. Quicken

B. Software features
    1. Check preparation.
    2. Bill payment.
    3. Checkbook register.
    4. Online banking and bill payment.
    5. Budgeting.
    6. Tax planning.
C. Advantages of using software
    1. User friendly.
    2. Helps organize finances.
    3. Convenient.
    4. Relatively inexpensive.