

Chapter 12 Money and Financial Institutions

Section 12.1 Money and Banking

Section Summary with Key Terms and Academic Vocabulary

Money and Banking Money functions as a medium of exchange, a standard of value, and a store of value. It enables people and businesses to buy and sell goods and services more easily. For money to carry out its functions, it must have several characteristics. It must be scarce, acceptable, portable, divisible, durable, and hard to counterfeit. Financial institutions such as banks manage money. They store, transfer, and lend it. The products and services banks offer help other businesses and consumers manage their money.

Key Terms

money A standard of value and a means of exchange or payment

monetary system A system in which goods and services are directly exchanged using money

financial institution A firm that manages money

bank account A record of how much money a customer has deposited into or withdrawn from a bank

deposit The money put in a bank account

withdrawal The money taken out of a bank account

interest A fee charged for the use of money

electronic funds transfer (EFT) Allows money to be transferred from one bank account to another through a network of computers

direct deposit The electronic transfer of a payment directly from the payer's bank account to the account of the person being paid

collateral Property or goods pledged by a borrower to use as security against a loan if the loan is not repaid

mortgage An agreement in which a borrower gives a lender the right to take property if a loan is not repaid

safe-deposit box A secure box in a bank's vault for the safe storage of a customer's valuables

Academic Vocabulary

acquire To get as one's own

stable Firmly established

primary Of first rank, importance, or value

secure Free from risk or loss