

# Banking Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## **1. Start with a Diagnostic Review**

**Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.**

## **2. Study in Short, Focused Sessions**

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.**

## **3. Learn from the Explanations**

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## **4. Track Your Progress**

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## **5. Simulate the Real Exam**

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## **6. Repeat and Review**

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!**

## Questions

- 1. Which act allows adequately capitalized bank holding companies to acquire banks in any state?**
  - A. Riegle-Neal Interstate Banking and Branching Efficiency Act**
  - B. Competitive Equality Banking Act**
  - C. Financial Institutions Reform, Recovery and Enforcement Act**
  - D. Depository Institutions Deregulation and Monetary Control Act**
- 2. A bank's cumulative GAP will always be:**
  - A. Greater than the periodic GAP.**
  - B. Less than the periodic GAP.**
  - C. Positive.**
  - D. The sum of the interim periodic GAPs.**
- 3. The term 'spread' in banking refers to what?**
  - A. The difference between assets and liabilities**
  - B. The difference between interest income and interest expense**
  - C. The margin earned on services offered**
  - D. The increase in cash reserves**
- 4. Which of the following represents amounts owed by Goldman Group to brokers and customers?**
  - A. Collateralized agreements**
  - B. Financial instruments**
  - C. Receivables**
  - D. Payables**
- 5. All other things constant, securities that are extremely liquid:**
  - A. earn higher rates of return than securities that are less liquid.**
  - B. have a longer maturity than less liquid securities.**
  - C. have lower risk than less liquid securities.**
  - D. a. and b.**

- 6. Securities that are "held-to-maturity" are:**
- A. trading account securities.**
  - B. recorded on the balance sheet at amortized cost.**
  - C. marked-to-market.**
  - D. a. and b.**
- 7. Which of the following is not a characteristic of a typical commercial bank?**
- A. Most banks own few fixed assets**
  - B. Most banks have a high degree of operating leverage**
  - C. Most banks have few fixed costs**
  - D. Many bank liabilities are payable on demand**
- 8. Controlling interest in a bank is defined as ownership or indirect control of \_\_\_\_ of the voting shares in the bank.**
- A. 15%**
  - B. 20%**
  - C. 25%**
  - D. 30%**
- 9. Which government agency provides insurance for deposits in savings associations?**
- A. Federal Reserve**
  - B. Office of Thrift Supervision**
  - C. Federal Deposit Insurance Corporation**
  - D. Resolution Trust Corporation**
- 10. Who serves as the receiver for a failed depository institution?**
- A. Federal Reserve**
  - B. Federal Deposit Insurance Corporation**
  - C. Office of the Comptroller of the Currency**
  - D. Office of Thrift Supervision**



## **Answers**

1. A
2. D
3. B
4. D
5. C
6. B
7. B
8. C
9. C
10. B

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## **Explanations**

1. Which act allows adequately capitalized bank holding companies to acquire banks in any state?
- A. Riegle-Neal Interstate Banking and Branching Efficiency Act**
  - B. Competitive Equality Banking Act
  - C. Financial Institutions Reform, Recovery and Enforcement Act
  - D. Depository Institutions Deregulation and Monetary Control Act

The Riegle-Neal Interstate Banking and Branching Efficiency Act is the legislation that allows adequately capitalized bank holding companies to acquire banks in any state. Enacted in 1994, this act significantly deregulated interstate banking by permitting bank holding companies to operate across state lines, paving the way for more competition and consolidation in the banking industry. Prior to this act, banks faced substantial restrictions on branching and acquisition across state borders, which limited their growth and operational flexibility. The Riegle-Neal Act not only facilitated these acquisitions but also promoted the establishment of a more competitive and efficient banking environment by allowing for the formation of larger banking entities that could offer a wider range of services and better economies of scale. The other acts listed, while also related to banking regulations, do not specifically address the capabilities of bank holding companies in acquiring banks across different states, which is the fundamental aspect being asked in this question.

2. A bank's cumulative GAP will always be:

- A. Greater than the periodic GAP.
- B. Less than the periodic GAP.
- C. Positive.
- D. The sum of the interim periodic GAPs.**

The correct answer is that a bank's cumulative GAP will always be the sum of the interim periodic GAPs. Cumulative GAP measures the overall liquidity position of a bank by aggregating the differences between its rate-sensitive assets and rate-sensitive liabilities over various time periods. Each interim periodic GAP represents the net position for a specific time frame, and when you sum these interim gaps, you arrive at the cumulative GAP for the entire time horizon. This approach provides a comprehensive view of how the bank's exposure to interest rate risk evolves as time progresses and can be essential for assessing the bank's stability and strategy in response to changes in interest rates. Understanding GAP analysis is crucial in banking, as it informs management about potential vulnerabilities in earning and funding based on interest rate movements. Therefore, recognizing that cumulative GAP reflects the total effect of rate sensitivity over multiple periods reinforces the importance of effective interest rate risk management practices.

### 3. The term 'spread' in banking refers to what?

- A. The difference between assets and liabilities
- B. The difference between interest income and interest expense**
- C. The margin earned on services offered
- D. The increase in cash reserves

The term 'spread' in banking primarily refers to the difference between interest income and interest expense. This measure is crucial for banks as it indicates the profitability of their core lending operations. Interest income is generated from the loans and advances given to customers, while interest expense refers to the costs associated with deposits and other borrowed funds. The larger the spread, the more profitable a bank can be, as it signifies that the bank is earning significantly more from its loans than it is paying out in interest to depositors or other obligations. While the other options include concepts that are important in banking, they do not accurately capture the specific definition of 'spread.' The difference between assets and liabilities pertains to a bank's balance sheet and its overall financial health but does not focus specifically on the interest operations. The margin earned on services offered looks at non-interest income and does not reflect the core interest-related functions of a bank. Lastly, the increase in cash reserves addresses liquidity and cash management rather than the interest rate dynamics that create the spread. Understanding the spread is fundamental for evaluating a bank's efficiency and profitability in its lending practices.

### 4. Which of the following represents amounts owed by Goldman Group to brokers and customers?

- A. Collateralized agreements
- B. Financial instruments
- C. Receivables
- D. Payables**

The correct choice indicates amounts that Goldman Group owes to its brokers and customers, which is a fundamental concept in accounting and finance, often referred to as liabilities. Payables are categorized as obligations that a company is required to settle in the future, typically through the transfer of cash, goods, or services. In this context, when Goldman Group owes money to brokers and customers, these amounts are recorded as payables, reflecting the company's responsibility to fulfill these financial obligations. Collateralized agreements generally involve securing obligations with collateral but do not specifically denote amounts owed. Financial instruments cover a wide range of assets and liabilities involved in the trading and financing activities of a firm but are not specifically reflective of amounts owed. Receivables represent amounts that are due to a company, signifying what others owe to Goldman Group rather than what Goldman owes to others. Therefore, the choice that best represents amounts owed by the firm is indeed classified as payables.

**5. All other things constant, securities that are extremely liquid:**

- A. earn higher rates of return than securities that are less liquid.**
- B. have a longer maturity than less liquid securities.**
- C. have lower risk than less liquid securities.**
- D. a. and b.**

The correct answer revolves around the concept of liquidity and its relationship with risk. Extremely liquid securities are asset classes that can be easily bought or sold in the market without significantly affecting their price. Since these securities can be quickly converted to cash, they typically exhibit lower risk compared to less liquid securities. Investors often demand higher returns for taking on additional risk. Less liquid securities can be subject to larger price fluctuations, credit risks, and extended holding periods, which can increase the associated risk. As a result, investors typically shy away from less liquid options unless they are compensated with higher expected returns. Therefore, the secure nature of highly liquid securities contributes to their classification as lower risk assets, making this answer the most accurate. In contrast, the consideration of maturity and rates of return in the other choices does not directly establish a consistent relationship with liquidity. Securities that are liquid do not necessarily have a longer maturity compared to their illiquid counterparts, as liquidity is more about the ease of trading than the duration of the investment. Consequently, options focusing on returns or maturity do not accurately reflect the inherent characteristics of liquidity.

**6. Securities that are "held-to-maturity" are:**

- A. trading account securities.**
- B. recorded on the balance sheet at amortized cost.**
- C. marked-to-market.**
- D. a. and b.**

Securities that are classified as "held-to-maturity" are intended to be held until they reach their maturity date, at which point the investor receives the principal amount back. This classification reflects the management's intention to hold the securities until they mature, rather than selling them in the market at any point during their life. The correct choice states that these securities are recorded on the balance sheet at amortized cost. This means that they are valued based on the initial purchase price adjusted for amortization of premiums or discounts over time. This approach differs from other types of securities, such as those that are held for trading or available for sale, which are typically marked-to-market. The amortized cost method helps give a more stable view of the asset on the financial statements, aligning with the intent to hold these securities until maturity. The option that mentions trading account securities would not apply here since those are primarily intended for short-term buying and selling, and thus are recorded differently. Mark-to-market accounting is also relevant for other categories of securities, but not for those held-to-maturity, further supporting why the alternative options are not applicable here.

**7. Which of the following is not a characteristic of a typical commercial bank?**

- A. Most banks own few fixed assets**
- B. Most banks have a high degree of operating leverage**
- C. Most banks have few fixed costs**
- D. Many bank liabilities are payable on demand**

A typical commercial bank operates in a way that emphasizes liquidity and the management of financial resources rather than leveraging operations heavily. While operating leverage refers to the degree to which a company can increase its profit by increasing revenue, most commercial banks do not typically showcase a high degree of operating leverage. This is largely due to their business model, which focuses on earning income from interest on loans and fees rather than having extensive fixed costs associated with physical assets that cannot be easily modified. In the banking sector, costs are more variable, especially as they relate to the costs of funding and maintaining customer accounts. Additionally, banks aim to maintain flexibility in responding to shifts in demand for loans, and they often manage their structures to ensure that operational costs are closely aligned with their current activities. This approach contrasts with industries that may rely on a significant amount of fixed investment, where variations in sales can lead to large jumps or drops in profitability. This understanding of operational structure highlights why most banks maintain few fixed costs and focus on managing liquid assets and their liabilities, which are often payable on demand. These elements contribute to their overall financial health and operational efficiency.

**8. Controlling interest in a bank is defined as ownership or indirect control of \_\_\_\_ of the voting shares in the bank.**

- A. 15%**
- B. 20%**
- C. 25%**
- D. 30%**

Controlling interest in a bank is typically defined as ownership or indirect control of 25% of the voting shares in the bank. This level of ownership is significant enough to influence or determine the management and operational decisions of the bank, which is why it serves as a benchmark for regulatory and financial considerations. In the context of banking regulation, possessing 25% of the voting shares can trigger certain regulatory requirements and oversight, such as the need for approval from banking regulators to ensure that the individual's or entity's influence aligns with the safety and soundness of the financial institution. Thus, the definition of controlling interest emphasizes the importance of this percentage in assessing who has the power to significantly affect a bank's decisions and governance.

**9. Which government agency provides insurance for deposits in savings associations?**

- A. Federal Reserve**
- B. Office of Thrift Supervision**
- C. Federal Deposit Insurance Corporation**
- D. Resolution Trust Corporation**

The Federal Deposit Insurance Corporation (FDIC) is the correct answer because it is the government agency responsible for providing insurance for deposits in banks, including savings associations. This insurance protects depositors by covering their accounts in the event that the financial institution fails, up to the insured limit, which is currently \$250,000 per depositor, per bank. This function is crucial in maintaining consumer confidence in the banking system, ensuring that individuals feel secure about their deposits. The other agencies mentioned serve different roles within the financial system. The Federal Reserve primarily focuses on monetary policy and regulating banking institutions but does not provide deposit insurance. The Office of Thrift Supervision once regulated savings associations but was dissolved in 2011, and its functions were transferred to the Office of the Comptroller of the Currency. The Resolution Trust Corporation was created to manage and dispose of assets from failed savings banks during the savings and loan crisis of the 1980s and 1990s, but it does not provide deposit insurance.

**10. Who serves as the receiver for a failed depository institution?**

- A. Federal Reserve**
- B. Federal Deposit Insurance Corporation**
- C. Office of the Comptroller of the Currency**
- D. Office of Thrift Supervision**

The Federal Deposit Insurance Corporation (FDIC) serves as the receiver for failed depository institutions. This role is crucial in maintaining stability in the banking system. When a bank or savings institution fails, the FDIC steps in to manage the resolution process, which includes safeguarding depositor assets and facilitating the orderly liquidation of the institution's assets. The FDIC's responsibilities as a receiver include identifying the bank's liabilities, assessing its assets, and ensuring that insured depositors are promptly paid their insured amounts. This process helps to mitigate the potential panic that could arise from a bank failure and reinforces public confidence in the banking system. Other organizations mentioned have different roles; for instance, the Federal Reserve primarily focuses on monetary policy and serves as the central bank of the U.S., not directly involved in handling failed institutions. The Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS) were involved in overseeing banks and thrifts during their operational stages but do not act as receivers in the event of a failure. The OTS has been absorbed into the OCC, and its role has been redefined. Thus, the FDIC is the appropriate and designated receiver for failed depository institutions, ensuring a structured approach to resolving



## Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://bankingpracticeexam.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**