DSST MONEY & BANKING PRACTICE EXAM (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. **What type of economic variable is not influenced by other economic factors?**
   - A. Exogenous Variable
   - B. Independent Variable
   - C. Dependent Variable
   - D. Controlled Variable

2. **Which type of exchange rate does NOT take into account the prices of goods across domestic and foreign markets?**
   - A. Nominal
   - B. Real
   - C. Fixed
   - D. Market-based

3. **What are long-term assets used in a business, such as land and machinery, called?**
   - A. Current assets
   - B. Fixed assets
   - C. Liquid assets
   - D. Intangible assets

4. **Which type of deposits can be withdrawn immediately at the discretion of the depositor?**
   - A. Savings deposits
   - B. Time deposits
   - C. Demand deposits
   - D. Certificate of deposits

5. **Which of the following is included in M2, but not in M1?**
   - A. Traveler's Checks
   - B. Savings Deposits
   - C. Checking Accounts
   - D. Currency in Circulation

6. When the government provides monetary assistance to individuals in need, what is this termed?

A. Transfer payments

B. Investment subsidies

C. Fiscal incentives

D. Tax relief

7. Which of the following is included in the monetary base?

A. Savings accounts

B. Stocks and bonds

C. Notes and coins

D. Real estate investments

8. What advisory council provides guidance to the Federal Reserve's Board of Governors?

A. Federal Advisory Council

B. Monetary Policy Committee

C. Banking Oversight Committee

D. Financial Stability Committee

9. What is a key characteristic of fixed assets in terms of their lifespan?

A. Measured in days

B. Measured in months

C. Measured in years

D. Never depreciated

10. Which financial institution primarily makes consumer loans and accepts savings deposits, often owned by a group of employees?

A. Commercial Bank

B. Credit Union

C. Savings Bank

D. Investment Bank

Answers

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

Explanations

1. What type of economic variable is not influenced by other economic factors?

A. Exogenous Variable

B. Independent Variable

C. Dependent Variable

D. Controlled Variable

The term that best describes a type of economic variable that is not influenced by other economic factors is the exogenous variable. Exogenous variables are those that originate from outside a model or system and are not affected by the other variables within that system. In economic contexts, they can represent external influences such as policy changes, natural disasters, or technological innovations. In contrast, independent variables typically serve as predictors or causes within a model, and their effects can be gauged in relation to dependent variables. Dependent variables are, by definition, influenced by independent variables, making them reactive to changes. Controlled variables are those that are kept constant in experiments to eliminate their influence on the outcome being measured. This further emphasizes that exogenous variables are conceptually distinctive because they are determined by factors outside the model, reinforcing their independence from the internal dynamics of the economic system being analyzed.

2. Which type of exchange rate does NOT take into account the prices of goods across domestic and foreign markets?

A. Nominal

B. Real

C. Fixed

D. Market-based

The type of exchange rate that does not take into account the prices of goods across domestic and foreign markets is the nominal exchange rate. This exchange rate reflects the current rate at which one currency can be exchanged for another, based solely on market conditions at a given moment. It does not consider differences in the price levels between countries or how much goods and services cost in those countries. In contrast, the real exchange rate adjusts the nominal rate to account for inflation and price levels in both countries, providing a clearer picture of the purchasing power and economic conditions. Fixed exchange rates are set by countries and do not fluctuate with market conditions, while market-based rates are determined through supply and demand dynamics. Understanding these distinctions is crucial for analyzing currency value and economic strength.

3. What are long-term assets used in a business, such as land and machinery, called?

A. Current assets

B. Fixed assets

C. Liquid assets

D. Intangible assets

Long-term assets used in a business, such as land and machinery, are classified as fixed assets. Fixed assets are tangible items that a company uses in its operations to generate revenue and are not expected to be converted into cash within a year. These assets typically have a useful life of more than one year, and they are essential for the ongoing functioning and productivity of the business. Unlike current assets, which are expected to be liquidated or used up within one year (like cash or inventory), fixed assets are long-term investments intended to support business activities over a longer duration. Additionally, while liquid assets refer to cash or other assets that can quickly be converted to cash, and intangible assets include non-physical assets such as patents or trademarks, fixed assets specifically encompass physical resources like land and machinery that a business uses to operate effectively in the long run.

4. Which type of deposits can be withdrawn immediately at the discretion of the depositor?

A. Savings deposits

B. Time deposits

C. Demand deposits

D. Certificate of deposits

Demand deposits are the type of deposits that can be withdrawn immediately at the discretion of the depositor. They are typically held in checking accounts, allowing individuals to access their funds whenever they choose, without prior notice or penalties. This characteristic provides flexibility and liquidity to the depositor, making these funds readily available for transactions. In contrast, savings deposits offer a bit more limitation, often promoting savings over immediate access due to withdrawal restrictions or limited transfers. Time deposits and certificates of deposits require the depositor to commit their funds for a specific period; early withdrawal usually incurs penalties. Therefore, the immediate availability of funds is a key distinguishing feature of demand deposits.

5. Which of the following is included in M2, but not in M1?

A. Traveler's Checks

B. Savings Deposits

C. Checking Accounts

D. Currency in Circulation

M2 is a broader measure of the money supply compared to M1, which focuses more directly on the most liquid forms of money. M1 includes items such as currency in circulation, checking accounts, and traveler's checks, which can be easily accessed for transactions. Savings deposits are classified as part of M2 because they are generally less liquid than checking accounts but can still be converted to cash quickly, typically with minimal penalties or delays. They serve as a place for individuals to store funds that may not be needed for immediate spending but can still be accessed fairly easily when necessary. Overall, M2 encompasses all of M1 plus additional forms of money that are somewhat less liquid, like savings accounts, money market securities, and mutual funds. This distinction is essential in understanding the different components of money supply measures in the economy.

6. When the government provides monetary assistance to individuals in need, what is this termed?

A. Transfer payments

B. Investment subsidies

C. Fiscal incentives

D. Tax relief

The term for monetary assistance provided by the government to individuals in need is called transfer payments. Transfer payments are financial contributions made by the government to support individuals without requiring any goods or services in return. These payments are typically aimed at aiding individuals who are unemployed, elderly, or otherwise in economic distress. Examples of transfer payments include welfare benefits, unemployment compensation, and social security payments. These programs are designed to reduce poverty and provide a safety net for vulnerable populations, thereby enhancing their basic living standards. The direct nature of these payments differentiates them from other forms of government financial support, which might involve an exchange or specific economic incentives. Understanding this concept is crucial in economics and public policy, as it encapsulates the role of government in the economy and its efforts to distribute resources to those who need them the most.

7. Which of the following is included in the monetary base?

A. Savings accounts

B. Stocks and bonds

C. Notes and coins

D. Real estate investments

The monetary base, also referred to as the money supply or high-powered money, includes the total amount of a country's currency in circulation and the reserves held by the central bank. Specifically, this consists of physical currency such as notes and coins that are in the hands of the public, as well as the reserves that commercial banks hold at the central bank. Physical notes and coins, being the most direct representation of money, are essential components of the monetary base. They represent the liquidity available in the economy for consumers and businesses to conduct transactions. This is why notes and coins are included in the definition of the monetary base. In contrast, savings accounts, stocks and bonds, and real estate investments are not considered part of the monetary base. Savings accounts represent deposits held by individuals in banks, which contribute to broader measures of money supply, but they do not constitute physical currency. Stocks and bonds are financial assets representing ownership or debt and do not have the same liquidity as cash. Real estate investments are also not a form of currency; instead, they are tangible assets that can appreciate or depreciate in value but do not directly contribute to the monetary base. Thus, the correct choice emphasizes the most fundamental elements that compose the monetary base, which are the notes and

8. What advisory council provides guidance to the Federal Reserve's Board of Governors?

A. Federal Advisory Council

B. Monetary Policy Committee

C. Banking Oversight Committee

D. Financial Stability Committee

The Federal Advisory Council is the correct option as it serves as a consultative body for the Board of Governors of the Federal Reserve System. This council is composed of representatives from each of the twelve Federal Reserve Districts and meets regularly to discuss various economic and banking issues. The council's primary role is to provide input and advice on matters concerning the banking industry, economic conditions, and the effectiveness of policies administered by the Federal Reserve. By offering their insights, the members of the Federal Advisory Council contribute to the decision-making process regarding monetary policy and other critical functions of the Federal Reserve. In contrast, the other options do not serve the same function. The Monetary Policy Committee typically refers to bodies in other countries or institutions that focus specifically on setting monetary policy. A Banking Oversight Committee may suggest a focus on regulatory oversight, but it does not directly advise the Board of Governors. The Financial Stability Committee, while related to issues of systemic risk and financial stability, does not have a direct advisory role regarding the Federal Reserve's broader functions. Thus, the Federal Advisory Council is uniquely positioned to fulfill the advisory needs of the Federal Reserve's leadership.

9. What is a key characteristic of fixed assets in terms of their lifespan?

A. Measured in days

B. Measured in months

C. Measured in years

D. Never depreciated

Fixed assets, also known as long-term assets, are defined by their durability and long-term utility for a business. A key characteristic of fixed assets is that they are typically measured in years due to their expected lifespan within the business. These assets are used over an extended period, usually exceeding one year, and can include items such as buildings, machinery, equipment, and vehicles. The categorization of fixed assets as lasting for years rather than days or months reflects their essential function in generating revenue for the business over time. This enduring nature is why fixed assets are subject to depreciation, which accounts for the gradual decrease in their value as they age and are utilized. In contrast to fixed assets, other types of assets may have shorter lifespans, but fixed assets are specifically distinguished by their longevity and the role they play in a company's operations. This ensures businesses can plan for their long-term investment and maintain their operational capabilities effectively.

10. Which financial institution primarily makes consumer loans and accepts savings deposits, often owned by a group of employees?

A. Commercial Bank

B. Credit Union

C. Savings Bank

D. Investment Bank

The correct choice is the credit union, which is a type of financial institution that is member-owned and typically established to serve specific communities or groups of individuals, often employees of a particular company or organization. Credit unions primarily provide consumer loans and accept savings deposits from their members. They operate on a not-for-profit basis, meaning that they focus on serving their members rather than maximizing profits. This often results in lower loan rates and higher savings rates than those typically offered by commercial banks. Additionally, credit unions are governed by a board of directors elected from among the membership, further emphasizing their member-centric approach. In contrast, commercial banks generally serve a broader audience and are profit-driven, focusing more on large-scale business transactions. Savings banks primarily focus on savings accounts and might not offer as comprehensive a range of consumer loans as credit unions do. Investment banks, on the other hand, specialize in services related to the financial markets, such as underwriting and advisory for mergers and acquisitions, and do not typically engage in consumer lending or accepting deposits in the same way as credit unions and other depository institutions.

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.

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

https://dsstmoneybanking.examzify.com

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