Answer Key

Chapter 11

Section 1

Reading Study Guide

Graphic Organizer: Main Idea: Financial system: institutions that allow for transfer of funds between savers, investors; Details: Bank gives saver financial asset (written confirmation); financial assets exchanged in financial market; financial intermediary, such as bank, collects savings, invests them. Main Idea: Financial intermediaries bring savers, investors together; Details: Banking financial intermediaries: commercial banks, Savings and loans, credit unions; profit comes from interest on loans; government insures deposits; Nonbank financial intermediaries: finance companies, mutual funds, pension funds, life insurance companies; Main Idea: Financial assets markets; basic factors are time, resalability; Details: two time-sensitive markets; capital markets hold assets for more than a year, money markets for less than a year; resalability applies to primary and secondary markets; primary markets do not resell assets; secondary markets resell assets, such as stocks, bonds.

1. 5 years
2. Students should change 5 years to 1 year or less.
3. Most students will say that only the secondary market is a resale market. Some may say that the first issue of stock is sold only in a primary market.

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