The Financial System

Guided Notes

This tool is designed to help you actively engage with course material before, during, and after class. They're not about taking perfect notes. They help you process information and remember so that you can later apply your knowledge and build on it.

Before Class: Use the 4R Method

1. **Read**: Select a manageable section of your assigned reading. Depending on your personal preference, this could be one page, one set of Learn It pages, or one topic within the Study Plan.
2. **Recall**: Without referring to the reading, write key terms and concepts in your own words. It's ok to leave blank spaces.
3. **Review**: Return to your reading, compare your notes, and add any missing information.
4. **Repeat**: Continue the process for each subsequent section until you have read, digested, and taken notes on all your assigned reading.

During Class: Bring your notes to every class session

- Add insights from lectures and discussions
- Note connections to business examples
- Ask questions about concepts that need clarification

After Class: Revisit and Reflect

- Spend a few minutes reviewing your notes after class while it's still fresh.
- Summarize main takeaways in your own words to strengthen your understanding.

All About Money

Key Concepts:

- Money is: ______________________________
- Barter is: ______________________________

- Double coincidence of wants means: ____
  ____

Types of Money

- Commodity money
  - Definition: ____
  - Value comes from: ____
  - Examples: ____
- Fiat money
  - Definition: ____
  - Value comes from: ____
  - Examples: ____

Three Functions of Money

1. Medium of exchange
   a. Definition: ____
   b. Required properties: ____
2. Store of value
   a. Definition: ____
   b. How it works: ____
3. Unit of account
   a. Definition: ____
   b. Example: ____

Think About It: How would your daily life be different if we still used a barter system? List three specific challenges you would face.

1. ______________________________
2. ______________________________
3. ______________________________

Remaining questions:

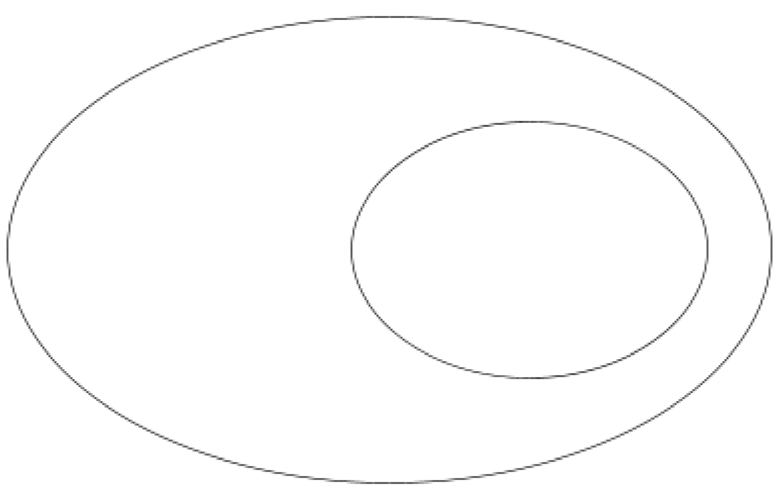
The U.S. Banking System

Money Supply Categories

What are the components in each category?

- M1: ______________________________
- M2: ______________________________

Diagram it:



Role of Banks

Define financial intermediary: ____

____

The Federal Reserve

- Primary mission: ____
- Three main functions:
  - ____
  - ____
  - ____

Monetary Policy Tools

Tool	What it does	Effect on economy
Open market operations		
Reserve requirements		
Discount rate		

Think About It: Why do you think it's important for the Federal Reserve to be independent from other branches of government?

Remaining questions:

Financing Business Operations

Sources of Financial Capital

Briefly describe each source:

1. Early-stage investment: ______________________________
2. Reinvesting profits: ______________________________
3. Borrowing: ______________________________
4. Selling stock: ______________________________

Compare and contrast

Private corporations:

- Who owns? ______________________________
- How is stock bought and sold? ______________________________
- Advantages? ______________________________
- Disadvantages? ______________________________

Public corporations:

- Who owns? ______________________________
- How is stock bought and sold? ______________________________
- Advantages? ______________________________
- Disadvantages? ______________________________

Think About It: What factors should a company consider when deciding whether to go public? List three pros and three cons.

Pros:

1. ______________________________

2. ______________________________
3. ______________________________

Cons:

1. ______________________________
2. ______________________________
3. ______________________________

Remaining questions:

Career Connection: Critical Thinking

Define Critical Thinking

____

____

Think About It: Describe a situation where you used critical thinking to solve a problem

Remaining questions:

Key Takeaways

Summarize the three most important things you learned in this module:

1. ____

   ____

2. ____

   ____

3. ____

   ____