DSST MONEY & BANKING PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://dsstmoneybanking.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1
Table of Contents 2
Introduction 3
How to Use This Guide 4
Questions 5
Answers 8
Explanations 10
Next Steps 16

SAMPLE

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.

SAMPLE

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!

SAMPLE

Questions

SAMPLE

1. What is a major characteristic of money that is part of the monetary base?

A. It is mostly in the form of long-term securities

B. It is primarily held in offshore accounts

C. It is highly liquid and readily available

D. It is subject to high-risk factors

2. What are the total costs involved in producing one unit of a good or service called?

A. Operating costs

B. Input costs

C. Overhead costs

D. Factor costs

3. What does the term 'currency in circulation' refer to?

A. Cash held by banks

B. Paper and coin money in the hands of the public

C. Deposits held by the Central Bank

D. Non-liquid assets owned by individuals

4. 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

5. 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

SAMPLE

6. A free market strives for which economic condition that is considered rare?

A. Perfect homogeneity

B. Perfect competition

C. Perfect regulation

D. Perfect cooperation

7. Which type of inflation is often associated with significant economic growth and increased consumer confidence?

A. Cost-push inflation

B. Deflationary growth

C. Demand pull inflation

D. Stagflation

8. What type of account is a NOW account?

A. A savings account

B. A checking deposit account that earns interest

C. A certificate of deposit

D. A money market account

9. Which system was established by the National Monetary Commission in 1908 to investigate the country's monetary policy?

A. Central Bank System

B. Federal Reserve

C. Monetary Relations Committee

D. Financial Oversight Authority

10. Which organization is responsible for stabilizing the housing market by providing mortgage guarantees?

A. Fannie Mae

B. Freddie Mac

C. Ginnie Mae

D. Federal Reserve Bank

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What is a major characteristic of money that is part of the monetary base?

A. It is mostly in the form of long-term securities

B. It is primarily held in offshore accounts

C. It is highly liquid and readily available

D. It is subject to high-risk factors

A major characteristic of money that is part of the monetary base is that it is highly liquid and readily available. The monetary base, often referred to as "high-powered money," includes physical currency—like coins and paper money—as well as balances held at central banks that can be easily accessed by commercial banks. Liquidity is a crucial feature of money, as it determines how easily an asset can be converted into cash or used for transactions. In the context of the monetary base, this means that the assets are immediately usable for purchasing goods and services. This characteristic helps facilitate economic activity by ensuring that individuals and businesses can engage in transactions without delay. On the other hand, long-term securities are not part of the monetary base because they are not immediately convertible to cash. Offshore accounts do not typically contribute to the immediate domestic money supply and carry different implications for liquidity. High-risk factors are not inherent to the monetary base; in fact, the assets constituting the monetary base are generally considered safe and stable. This context helps underline the importance of liquidity as a defining characteristic of money within the monetary base.

2. What are the total costs involved in producing one unit of a good or service called?

A. Operating costs

B. Input costs

C. Overhead costs

D. Factor costs

The total costs involved in producing one unit of a good or service are referred to as input costs. Input costs encompass all expenditures that are necessary to create a product, which can include materials, labor, and any overhead associated with the production process. This term captures the full range of resources consumed in producing that single unit. Operating costs, on the other hand, typically refer to the ongoing expenses necessary for the daily functioning of a business but may not cover all costs specific to producing one unit. Overhead costs are usually understood as indirect costs, such as utilities and rent, that are not directly linked to the creation of the product but are required to support production activity. Factor costs generally refer to payments made to the factors of production—land, labor, capital, and entrepreneurship—without narrowing it down to the cost of producing a single unit of output. Understanding input costs is crucial for businesses aiming to price their products appropriately, manage budgets, and evaluate profitability, as it provides insight into the actual expenses incurred for manufacturing goods or services.

SAMPLE

3. What does the term 'currency in circulation' refer to?

A. Cash held by banks

B. Paper and coin money in the hands of the public

C. Deposits held by the Central Bank

D. Non-liquid assets owned by individuals

The term 'currency in circulation' specifically refers to the physical paper money and coins that are actively used and held by the public, which facilitates transactions in the economy. This is the cash that individuals and businesses use in everyday exchanges, contributing to the overall money supply. In contrast, cash held by banks is not considered to be in circulation since it is not available for public use in transactions. Deposits held by the Central Bank represent reserves and do not reflect the currency that is accessible to the public for spending. Non-liquid assets, such as real estate or stocks, are not immediately convertible to cash and do not play a direct role in the medium of exchange in everyday transactions. Therefore, the definition of currency in circulation aligns perfectly with the paper and coin money that individuals hold and utilize for their purchases and payments.

4. 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.

5. 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.

SAMPLE

6. A free market strives for which economic condition that is considered rare?

A. Perfect homogeneity

B. Perfect competition

C. Perfect regulation

D. Perfect cooperation

A free market strives for perfect competition, which is a theoretical situation where multiple conditions are met to achieve optimal efficiency in the allocation of resources. In an ideal perfectly competitive market, there are numerous buyers and sellers, ensuring that no single entity has the power to influence prices. Products offered are homogenous, meaning they are identical in nature, leading consumers to make decisions based solely on price. Additionally, there are no barriers to entry or exit, allowing new firms to enter the market freely when profits are available, and exit when they incur losses. This ideal state promotes optimal distribution of resources, where firms produce at the lowest possible cost, and consumers benefit from the lowest possible prices. In reality, achieving perfect competition is rare due to various factors such as market imperfections, monopoly power, and externalities that can disrupt the balance. Thus, emphasizing how rare and difficult it is to find a market structure that meets the conditions for perfect competition underscores its significance in economic theory and free market ideals.

7. Which type of inflation is often associated with significant economic growth and increased consumer confidence?

A. Cost-push inflation

B. Deflationary growth

C. Demand pull inflation

D. Stagflation

Demand-pull inflation occurs when the overall demand for goods and services in an economy surpasses the available supply. This situation often arises during periods of significant economic growth when consumer confidence is high. As consumers and businesses increase spending, fueled by optimism about future economic conditions, demand increases sharply. When supply cannot keep up with the heightened demand, prices begin to rise, leading to demand-pull inflation. This type of inflation is typically seen as a sign of a healthy and expanding economy. It reflects increased consumer spending, investment, and overall economic activity, which contribute to rising prices. The confidence that drives this demand often leads to greater employment opportunities and wage growth, further reinforcing the inflationary pressures in a positively spiraling manner. In contrast, the other options present scenarios that do not foster the same conditions associated with demand-pull inflation. For example, cost-push inflation arises from supply-side factors that increase costs and prices, while stagflation combines stagnant economic growth with high inflation and unemployment. Deflationary growth, which indicates a decrease in overall price levels despite some growth, contradicts the characteristics of demand-pull inflation as it implies a lack of sufficient consumer demand. Therefore, demand-pull inflation is the type directly linked to economic growth and

SAMPLE

8. What type of account is a NOW account?

A. A savings account

B. A checking deposit account that earns interest

C. A certificate of deposit

D. A money market account

A NOW account, which stands for Negotiable Order of Withdrawal, is indeed a checking deposit account that earns interest. This type of account allows the account holder to write checks while simultaneously earning interest on the balance held within the account. NOW accounts were created to encourage individuals to keep their funds in a checking account rather than transferring them to a savings account for interest earnings. This feature of providing both liquidity, through the ability to write checks, and the opportunity to earn interest makes NOW accounts distinct among various account types. In contrast, savings accounts typically offer less access to funds and may have limitations on withdrawals or transactions, while certificates of deposit involve locking in funds for a specified term without the flexibility to withdraw or write checks. Money market accounts, while they may offer higher interest rates and some checking features, generally do not share the same characteristics as NOW accounts regarding negotiable withdrawal options.

9. Which system was established by the National Monetary Commission in 1908 to investigate the country's monetary policy?

A. Central Bank System

B. Federal Reserve

C. Monetary Relations Committee

D. Financial Oversight Authority

The Federal Reserve was established as a result of the findings and recommendations of the National Monetary Commission created in response to financial panics and economic instability in the United States during the early 20th century. The Commission aimed to investigate and improve the country's monetary policy, ultimately leading to the creation of a central banking system that could provide stability to the financial system. The Federal Reserve was officially established in 1913, and it serves multiple functions, including regulating the money supply, conducting monetary policy, supervising and regulating banks, and providing financial services. It was designed to address the shortcomings of previous monetary systems, particularly in managing financial crises and ensuring a more stable economic environment. The other options listed do not represent the foundational outcomes of the National Monetary Commission's work. The Central Bank System is a general term and does not refer specifically to the institution created in 1913. The Monetary Relations Committee and Financial Oversight Authority do not correspond to entities established by the Commission and are not relevant to the historical context of the Federal Reserve's creation.

SAMPLE

10. Which organization is responsible for stabilizing the housing market by providing mortgage guarantees?

A. Fannie Mae

B. Freddie Mac

C. Ginnie Mae

D. Federal Reserve Bank

Fannie Mae, formally known as the Federal National Mortgage Association, plays a crucial role in stabilizing the housing market by providing mortgage guarantees. Its primary function is to enhance the availability of mortgage credit in the U.S. housing market, ultimately promoting home ownership and affordable housing. By guaranteeing the timely payment of principal and interest on mortgages that are issued by lenders, Fannie Mae provides assurance to investors that their investment in mortgage-backed securities is secure. This backing encourages lenders to provide more loans, thereby increasing the flow of capital into the housing market. As a result, consumers have easier access to home financing, helping to stabilize home prices and maintain liquidity in mortgage markets during economic fluctuations. Other organizations mentioned do have important roles in the housing finance system, but they serve different purposes. Freddie Mac, similar to Fannie Mae, also works to provide liquidity and stability to the mortgage market. Ginnie Mae guarantees mortgage-backed securities that are backed by government-insured or guaranteed loans, while the Federal Reserve Bank primarily focuses on monetary policy and overall economic stability rather than directly influencing the housing market through mortgage guarantees.

SAMPLE

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!

SAMPLE