

Chapter 10 Banking and Negotiable Instruments

Section 10.1 Using Negotiable Instruments



Note Taking

Directions As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box.

| Cues | Note Taking |
|---|---|
| <ul style="list-style-type: none"> • Maker: promises to pay | <p>TYPES OF NEGOTIABLE INSTRUMENTS</p> <ul style="list-style-type: none"> • Negotiable instruments help people to: <ul style="list-style-type: none"> • Types of notes: <ul style="list-style-type: none"> • Types of drafts: <p>TRANSFERRING NEGOTIABLE INSTRUMENTS</p> <ul style="list-style-type: none"> • Negotiation is the transfer of an agreement so that the transferee becomes the holder. |
| <p style="text-align: center;">Summary</p> <p>A negotiable instrument is a written document giving rights to others through indorsement or delivery.</p> | |

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Reading Skills Creating a Table

Directions Use a word-processing program to create a table. First, read the instructions below. Then match the type of negotiable instrument (List A) with its function (List B) to complete the table.

1. Start up your word-processing program. Create a table with eight columns and nine rows.
2. In the top row, enter the types of negotiable instruments from List A. In the first column, enter the functions of negotiable instruments from List B.
3. Match each type with its function. Place an *X* in the box where the matching column and row intersect.
4. After completing your table, title it and save your work. Print out a copy of your table if your teacher has instructed you to do so.

List A

demand note
time note
installment note
certificate of deposit
sight draft
time draft
letter of credit

List B

not payable until a particular period of time has passed
used in international business
payable when given to drawee
payable when payee demands payment
payable at a future date
issued by bank, earns interest
paid in a series of payments

| | | | | | | | |
|----------------------|--|--|--|--|--|--|--|
| Type of Instrument → | | | | | | | |
| Function ↓ | | | | | | | |
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Study Skills Listening Skills

Directions Read the tips below. Then answer the questions that follow.

IMPROVING LISTENING SKILLS

- Before class, skim the material your teacher will be talking about. This will better prepare you when you listen to the lecture in class.
- Try to anticipate what your teacher is going to say about the material. You may not always be correct, but this will prepare your brain to receive the new information.
- Keep the five W questions in your head: who, what, where, when, and why. Listening actively like this during class will help you retain information.
- Try to relate the material to something in your personal life. This will help you to better understand what you are hearing.
- Restate in your own words what your teacher is saying.
- Take notes while you are listening. After class, rewrite your notes and study them.

1. How does anticipating what your teacher is going to say help you listen better?

2. What should you keep in mind while your teacher is talking about the subject?

3. Why should you try to relate the material to something in your own life?

4. What should you do before, during, and after class?

5. What advice would you give another student about the importance of listening actively?

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Test Taking True/False Tests

Directions Practice the test-taking tips below while answering the questions that follow. Circle *T* if the statement is true. Circle *F* if the statement is false.

TRUE/FALSE TEST TIPS

- Answer *True* only when every part of the entire statement is true. If part of the statement is false, the entire statement is false. Watch out for long sentences that include a series or a list set off by commas or semicolons. Every part of the entire series must be true in order for the answer to be true.
- Most true/false tests have more true answers than false answers.
- Watch out for words that are unqualified, such as *always*, *never*, *every*, or *none*. These usually indicate a false answer. Most statements are not true all the time.
- Change the sentences written in the negative (*no*, *not*, *cannot*) to a positive by reading the sentence without the negative word. If the statement without the negative is true, then you know the answer with the negative is probably the opposite, or false.

- | | | |
|--|----------|----------|
| 1. Negotiable instruments are usually obtained from places such as banks and credit unions. | T | F |
| 2. In a draft, drawees are never required to pay money. | T | F |
| 3. People often sign an installment note when they borrow money to buy a car or a house. | T | F |
| 4. An instrument that has been written in pencil is never negotiable. | T | F |
| 5. If the date has been omitted from a check, the date on which it was received is considered the date of issue. | T | F |
| 6. Instruments that do not meet the requirements of negotiability cannot be negotiated. | T | F |
| 7. A negotiable instrument does not need to be for a specified amount of money. | T | F |
| 8. A negotiable instrument must be in writing, be signed by the maker or drawer, contain an unconditional promise or order to pay, be payable for a fixed amount, be payable on demand or at a definite time, and hold more than \$200 in value. | T | F |
| 9. The four types of indorsements are blank indorsements, special indorsements, restrictive indorsements, and qualified indorsements. | T | F |
| 10. No person is liable on an instrument unless that person's signature appears on it. | T | F |

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Section 10.2 Banking Basics



Reading Comprehension Analytical Skills

Directions In Section 10.2, you learned about the procedures and conditions for two types of banking: checking accounts and electronic banking. Decide which type is described in each statement or question below. Write “paper checks” or “electronic banking” on the line provided.

1. Care should always be taken to write checks so they cannot be changed easily.

2. Using a computer to view account balances and pay bills involves this type of banking.

3. Which type of banking allows one to purchase merchandise at a store with a debit card?

4. Money orders are drafts that substitute for checks and may be purchased from places such as banks and post offices. _____

5. With which type of banking is forgery or material alteration a threat? _____

6. Which type of banking permits one to authorize direct withdrawals from an account to pay bills automatically? _____

7. Traveler's checks, bank drafts, certified checks, and cashier's checks are used in this type of banking. _____

8. A stop payment may be issued by requesting a stop-payment order from the bank.

9. Using this type of banking allows one to make payments from the bank by telephone.

10. Which type of banking allows one to authorize an employer to deposit earnings directly into one's bank account? _____

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Section 10.2 Banking Basics



Study Skills

Improving Learning Skills

Directions Read the tips below. Then answer the questions that follow.

IMPROVING LEARNING SKILLS

- Summarize a section after you read it.
- Ask yourself questions about the subject you are studying.
- Use different sources to obtain information about the subject.
- Use different methods to learn information. For example, read the text aloud. This stimulates more areas of your brain. You are learning both visually and auditorily.
- Find the conditions that are best for you. For example, join a study group, or find a quiet place if you study best alone.
- Think about other things you have learned and how you learned them. Did you learn by reading, having someone show you, looking at pictures and graphs, or listening to someone speak? Use these same ways of learning when studying new material.

1. Name something you have learned to do. Explain how you learned to do it.

2. How might understanding how you learn help you improve your learning skills?

3. How might summarizing a section after reading it help you learn?

4. How might asking questions help you learn?

5. Why is it important to use different sources to learn? Name three sources you might use.

6. How might using different methods of learning at the same time help you learn?

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Section 10.2 Banking Basics



Test Taking

Fill-in-the-Blank Tests

Directions Practice the test-taking tips below while answering the questions that follow. Fill in the blank with the best word choice from the list.

FILL-IN-THE-BLANK TEST TIPS

- Carefully read all the words in the list first. Think about what each word means.
- Carefully read each question.
- Fill in the blanks you are sure of with the best word choice. Some words may have similar meanings, so make sure you choose the best one.
- Cross off each word after you use it.
- Once you have eliminated the words you are sure of, review the words you are less sure of. Reread each question. Fill in the blank with the best choice.
- Check the list to make sure you have used all the words.
- Reread all questions to make sure you have answered each one.

| | |
|--------------------|---------------------|
| debit card | money order |
| certified check | material alteration |
| checking account | statement |
| stop-payment order | outstanding check |

1. A(n) _____ creates a contractual relationship between a bank and a customer.
2. Every month you should receive a(n) _____ of the bank's record of all your transactions.
3. A(n) _____ is a check you have written that has not been returned to the bank for payment.
4. A(n) _____ occurs when someone changes a check you wrote, such as adding an extra 0 to the amount.
5. A(n) _____ is a check that is guaranteed by the bank.
6. You can purchase merchandise at a store with your _____.
7. A draft that substitutes for a check and may be purchased from places such as banks and post offices is called a(n) _____.
8. You can put a stop on a check by requesting a(n) _____ from your bank.

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Chapter Content Vocabulary



English Language Arts Definitions

Directions Choose ten words from the list below. Use each in a sentence that shows you understand the meaning of the word.

| | | |
|-----------------------|-------------|--------------------------|
| payee | holder | electronic fund transfer |
| draft | assignment | indorsement |
| negotiable instrument | drawer | holder in due course |
| note | drawee | forgery |
| maker | negotiation | |

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

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Chapter Academic Vocabulary



English Language Arts

Reading Skills

Directions Complete the graphic organizer below for each vocabulary term as you read the text. The first term has been done for you.

| 1 | 2 | 3 | 4 | 5 |
|---------------|---|---|---|--|
| Read the Word | Rate the word: 0 = Do not know meaning 1 = might know meaning 2 = know the meaning | Predict the meaning before reading the text | Revise the meaning after reading the text | Write context clues |
| advantage | 1 | having the upper hand | a more favorable condition | Electronic banking has advantages over paper checks. |
| signature | | | | |
| unconditional | | | | |
| schedule | | | | |
| reconcile | | | | |
| substitute | | | | |