

Lesson Quiz 21-1



Financing Government

DIRECTIONS: Matching Match each item with the correct statement below.

- | | |
|--|--------------------------|
| _____ 1. amount of money taken in exceeds amount spent | A. entitlement |
| _____ 2. one example is interest on the national debt | B. budget surplus |
| _____ 3. collected by the government; used to create a budget | C. revenue |
| _____ 4. amount of money spent exceeds amount taken in | D. budget deficit |
| _____ 5. benefit required by law, including government pension | E. expenditure |

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- _____ 6. Which of these expenditures would be paid for under the uncontrollable spending portion of the budget?
- A.** equipment to fix roads
 - B.** health benefits for veterans
 - C.** maintenance for military aircraft
 - D.** meals for prisoners
- _____ 7. During the month of January, which of these actions on the budget is likely to be occurring?
- A.** Congress is busy debating the president's budget and approving expenditures.
 - B.** The budget that has just been approved by Congress is being implemented.
 - C.** The president is beginning to formulate a new budget to present to Congress.
 - D.** The president's budget is being finalized to send to Congress for review.
- _____ 8. Which of these citizens is most likely to consider spending on public education as the most important component of the budget?
- A.** businessman who has two children in college
 - B.** elderly woman who used to be a substitute teacher
 - C.** principal of an urban high school
 - D.** woman who runs her own day care business
- _____ 9. Who is responsible for beginning the federal budget process?
- | | |
|------------------------------------|---------------------------|
| A. executive branch | C. judicial branch |
| B. House of Representatives | D. Senate |
- _____ 10. Local governments are likely to seek and receive federal funding for which of these?
- | | |
|--|---|
| A. loans for local businesses | C. repairs to public sewer systems |
| B. money for religious displays | D. salaries for public officials |

Lesson Quiz 21-2



Financing Government

DIRECTIONS: True/False In the blank, indicate whether the statement is true (T) or false (F).

- _____ 1. Taxes on liquor and cigarettes are considered progressive taxes.
- _____ 2. A soft drink company in the United States is likely to buy its sugar from Hawaii instead of Brazil, to avoid the protective tariff that Congress has placed on foreign sugar.
- _____ 3. A person who inherits an estate of \$1 million is free to spend this money without paying an estate tax.
- _____ 4. When the government sells securities such as U.S. treasury bonds, it is impacting the economy by decreasing the national debt.
- _____ 5. Having a child can decrease your taxable income as long as that child is considered a dependent.

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- _____ 6. Which statement describes a regressive way to tax income?
- A. People can reduce their tax rate using deductions.
 B. People pay 25% income tax, regardless of annual income.
 C. People who make less than \$10,000 a year pay no income tax.
 D. People who make over \$500,000 per year pay the highest income tax rate.
- _____ 7. Which of these types of taxes brings in the most revenue to fund government programs?
- A. estate tax
 B. excise tax
 C. gift tax
 D. income tax
- _____ 8. Which of these people is most likely to keep more money and potentially return it to the economy as a result of a cut in capital gains taxes?
- A. business owner invested in stocks
 B. college student with loans
 C. single mother with a retirement account
 D. unemployed veteran
- _____ 9. When a woman gets a job with a large corporation, which of these will be partially covered by her employer?
- A. capital gains tax
 B. excise tax
 C. income tax
 D. payroll tax
- _____ 10. Which of these will increase as a direct result of an increase in the issuing of U.S. government securities?
- A. interest payments
 B. Medicare payments
 C. tax subsidies
 D. unemployment compensation

Lesson Quiz 21-3



Financing Government

DIRECTIONS: Matching Match each item with the correct statement below.

- | | |
|---|----------------------------------|
| _____ 1. the use of control over money and credit to affect the economy | A. inflation |
| _____ 2. market condition that gives the government information about the economy's performance | B. fiscal policy |
| _____ 3. the use of spending and taxation to affect the economy | C. Federal Reserve System |
| _____ 4. the increase in consumer prices over time | D. economic indicator |
| _____ 5. central bank that manipulates interest rates | E. monetary policy |

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- _____ 6. When the Fed wants to stimulate economic growth, it can do which of the following?
- | | |
|-----------------------------------|---|
| A. lower the discount rate | C. raise the reserve requirement |
| B. raise taxes | D. sell government bonds |
- _____ 7. The president might propose which of these actions to slow the economy and prevent inflation?
- A.** borrowing money from foreign investors
 - B.** increasing expenditures on highway projects
 - C.** lowering the reserve requirement
 - D.** raising taxes to reduce the deficit
- _____ 8. Which of these circumstances might contribute to inflation?
- A.** when banks are building up their reserves to avoid failure
 - B.** when companies are laying off workers in order to stay in business
 - C.** when interest rates are low and many people are borrowing to buy houses
 - D.** when the Fed sells government bonds on the open market
- _____ 9. Foreign countries are likely to become more engaged in the U.S. economy when Congress undertakes which of these actions?
- A.** cutting back on programs to reduce the deficit
 - B.** increasing income taxes to fund social programs
 - C.** operating with a budget deficit to avoid cutting programs
 - D.** tightening restrictions on bank borrowing and lending
- _____ 10. Which of these is an effect of inflation?
- | | |
|--|--|
| A. banks reduce interest rates | C. savings rates increase |
| B. government benefits increase | D. services become more expensive |

Lesson Quiz 21-4

The logo for 'networks' features the word 'networks' in a bold, lowercase sans-serif font. A stylized graphic of intersecting lines, resembling a network or starburst, is positioned behind the letter 'o'.

Financing Government

DIRECTIONS: True/False In the blank, indicate whether the statement is true (T) or false (F).

- _____ 1. One way that a state makes money is to tax imports coming into the state.
- _____ 2. Some local governments charge an additional sales tax on certain items.
- _____ 3. A religious group that builds a new church must pay local property tax on that church.
- _____ 4. A city that would like to add officers to its police force can potentially obtain funding from a federal block grant.
- _____ 5. A new stove that is added to a house during a renovation will be taxed as real property.

DIRECTIONS: Multiple Choice Indicate the answer choice that best completes the statement or answers the question.

- _____ 6. A large new state government building is likely to be funded by which of these?
- | | |
|----------------|-------------------|
| A. block grant | C. property taxes |
| B. bond | D. sales taxes |
- _____ 7. Property tax on a home will increase when which of these increases?
- | | |
|-------------------------------|-----------------------------|
| A. assessed value of the home | C. market value of the home |
| B. income of the homeowner | D. wealth of the community |
- _____ 8. Which of these would most likely be paid for with an assessment on property owners in the immediate area of the project?
- | | |
|---------------------------------------|-------------------------------------|
| A. holiday decorations for the street | C. pavement repairs to an alley |
| B. new wastewater treatment plant | D. renovation to a private business |
- _____ 9. When the growth of expenditures is tied to the growth of the state economy, which of these is true?
- A. Block grants cannot be used for expenditures.
- B. Legislators cannot increase taxes to fund programs.
- C. Projects such as road repair may be put on hold during a recession.
- D. Revenue increases will lead to decreases in state expenditures.
- _____ 10. What is the most likely reason an investor in one state would buy local government bonds in another state?
- A. The investor would be able to collect assessments on the project.
- B. The investor would be helping to fund a community project.
- C. The investor would become part owner of the project.
- D. The investor would not have to pay federal taxes on bond interest.