



Otázka: Money and banking

Jazyk: Angličtina

Přidal(a): Barunka

Banks are institution that deal with money and provide other financial services.

Banks buy and sell money for profit.

Profit = difference between the interest on loans and the interest paid on deposit and money from providing banks services

Money

- anything generally accepted as a means of paying for goods and services
- a measure of value so the value of the ticket is stated in crowns
- serves as a store of value – unlike many goods, it will keep

Forms of money

- currency – bank notes and coins
- demand deposits – money in current or savings accounts
- term deposits – that restrict withdrawals to a specific time
- securities – shares, bonds, bills of exchange, cheques, certificates of deposits
- payment cards



The banking system

- **central banks**

- issues currency
- buys and sells government securities
- keep foreign currency and gold reserves
- supervises and regulates commercial banks
- represents our country abroad
- is responsible for monetary policy
- determines discount interest rates
- manages state accounts

- **commercial banks**

- are profit-making businesses that accept deposits and use these money to provide, make, loans
- they perform the following operations:
 - opening and managing current accounts, deposit accounts and foreign currency accounts
 - providing loans and mortgages
 - issuing payment cards, arranging electronic money transfers, standing payment orders, handling cheques and bills of exchange
 - exchanging foreign currency, providing information to clients

Types of account

- current accounts

- they are used for writing cheques, paying by debit card and paying bills
- they have low interest
- deposits accounts and savings accounts
 - long term deposits usually have higher interest than short-term deposits



Loans

- is money lent to a borrower by a lender
- the borrower must pay off more money – his loan plus the interest on the sum
- in the process of making loans, banks create new money
- there are:
 - long-term loans
 - medium-term loans
 - short-term loans

Mortgage

- is a long term loan, a real property (a building) is used as a guarantee
- if client is unable to repay his loan, the property becomes the one of the bank

Payment cards

- they allow their holders to withdraw cash from automated teller machines in their country as well as abroad
- debit cards
 - holders can't overdraw their account, they have to stay in the black
- credit cards
 - holders can overdraw their account
 - this overdraft is agreed by the bank up to a maximum of 10 000 crowns for example

Trends in banking

- internet banking
 - you have access to your account through a personal computer connected to the internet
- mobile banking
 - client communicates with bank through a mobile phone