Directions to the Student

Today you will be taking the Personal Finance Test. This is a test of how well you understand the course level expectations for Personal Finance.

There are several important things to remember:

1. Read each question carefully and think about the answer. Then choose the answer that you think is best.
3. If you do not know the answer to a question, skip it and go on. You may return to it later if you have time.
4. If you finish the test early, you may check over your work.
1. **Which describes the best way for people to understand trends in their spending?**

   A. analyzing all expenditures
   B. saving 10% from each paycheck
   C. tracking automatic bill payments
   D. keeping receipts for all purchases over $10

2. **Which payment method is most often used when purchasing a home?**

   A. cash
   B. check
   C. mortgage
   D. credit card

3. **Which feature of using a local bank or financial institution is an advantage for account holders?**

   A. free ATM access
   B. short lobby hours
   C. not federally insured
   D. limited customer service options
4. What guarantees that sufficient funds for a payment exist in a bank account?
   A. deposit ticket
   B. check register
   C. certified check
   D. personal check

5. Tyler is unable to visit the bank during business hours to deposit his paycheck, so he must drop the check into the night depository.
   Which type of endorsement should he use on the check?
   A. special, because he is using a special method of deposit
   B. blank, because the paycheck is made payable only to him
   C. restrictive, because he is not presenting the check in person
   D. none, because the bank will automatically deposit the check
Personal Finance

6. **Jackson could not find his debit card but assumed he had misplaced it and would eventually find it. He did not look at his next bank statement when it arrived because he was too busy. When he did reconcile his account, he discovered that someone had used his debit card. Jackson contacted the bank and was told that he would be responsible for $500 of the unauthorized transactions.**

Which statement best explains the bank’s response?

A. Debit cardholders must be able to prove they did not authorize transactions.

B. Debit cardholders must contact a bank within 48 hours of discovering a card is missing to avoid liability.

C. Debit cardholders are responsible for all unauthorized charges if they do not report a missing card within 60 days.

D. Debit cardholders are responsible for a specified amount of unauthorized charges if they report a missing card between 48 hours and 60 days.

7. **The Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) both guarantee to protect accounts containing up to**

A. $50,000.

B. $100,000.

C. $250,000.

D. $400,000.
8. **Transportation maintenance costs include fuel and oil changes. Which other expense would be included in this category?**

   A. tires  
   B. speakers  
   C. sunglasses  
   D. window tint

9. **Why do insurance companies create policies?**

   A. to assist individuals in a crisis  
   B. to postpone payment for a loss  
   C. to help plan for natural disasters  
   D. to provide coverage for unexpected financial loss

10. **Which statement best explains why Carmen would increase the deductibles on her auto insurance policy?**

    A. to reduce her premium  
    B. to increase her coverage  
    C. to eliminate her liability risk  
    D. to stop worrying about accidents
11. A car insurance agent reviews applications for risk factors before writing a policy.

Which factor benefits the applicant?

A. being married
B. being 79 years of age
C. having a credit score of 550
D. living in a densely populated area

12. Jasmine, a recent college graduate, is starting her first full-time job. She does not have much savings, but she wants to make several purchases, including a car to drive to work, a vacation to celebrate graduation, some new professional clothes for her job, and new furniture to upgrade from the furniture she used in college.

For which item would a credit card be most appropriate if Jasmine is unable to pay cash at the time of purchase?

A. $12,000 for a car
B. $4,000 for a vacation
C. $2,000 for new furniture
D. $1,000 for new professional clothes
13. **Mr. and Mrs. Johanson, both age 55, are planning what to do with the $20,000 they have in savings. Their alternatives include investments such as a money market account, stocks, a mutual fund, a bond, or a combination of these.**

In order to make a decision that will best suit their needs, which question is most important for them to ask themselves?

A. At our age, what are our most important financial goals?
B. Can our $20,000 be invested in a money market or mutual fund?
C. Which stocks and bonds can we buy low now and sell high later for a profit?
D. Which broker can advise us about the investments with the highest potential return?

14. **Sixty-five-year-old Mr. Smith just retired as a mechanic. He and his wife have $10,000 in savings. In addition, each month, he expects to receive $1,000 from Social Security and $1,000 as a pension from his former employer. Mr. Smith took the money they had in savings and used it to buy stock in his former company.**

Was his decision economically sound?

A. Yes, because Mr. Smith trusts the company where he worked for so many years.
B. No, because another company might outperform Mr. Smith's company in the stock market.
C. No, because without money in the savings account, the Smiths will be unprepared for an emergency.
D. Yes, because people earn more money in the stock market over the long run than in savings accounts.
15. Which statement **best** describes what would happen during a period of inflation when Sam is on a fixed income?

   A. Sam's living expenses increase.
   B. Sam's work experience increases.
   C. Sam's ability to save money increases.
   D. Sam's need to follow a budget decreases.

16. **What is an entrepreneur?**

   A. a person who is an elected official
   B. a person who volunteers at a local food bank
   C. a person who works in a store for someone else
   D. a person who organizes and operates a business

17. **Demand for registered nurses in the United States labor market is increasing. If the supply stays the same or decreases, the salary of a registered nurse is most likely to**

   A. double.
   B. increase.
   C. decrease.
   D. stay the same.
18. In addition to wages and salaries, which of the following is a source for earning income?

A. consumer loan  
B. rental property  
C. transfer payment  
D. child support payment

19. Anne works for a company that pays a 7% commission on sales over $500. She sold a total of $800. What was her commission?

A. $21.00  
B. $35.00  
C. $56.00  
D. $91.00

20. Which tax, included in the price of gasoline or airline tickets, funds government programs?

A. excise  
B. payroll  
C. income  
D. property
21. Alyssa attended a charity dinner for Pet Rescue. The dinner cost $100, but the tax deduction allowed was $50.

Which statement best describes the reason for the amount of the deduction?

A. She did not like the food.
B. She can only deduct the cost of the cat.
C. Pet Rescue is not a tax-exempt organization.
D. She can only deduct the value of the donation.

22. Tom and Ann have a goal to save 15% of their combined $97,000 yearly income. What amount should they save each month?

A. $121.50
B. $1,212.50
C. $8,083.00
D. $14,550.00
23. Margaret ordered a party gift online. When the gift arrived, it was lower quality than described, and it looked different than the photograph shown online.

What is the most effective way for Margaret to solve this problem as a consumer?

A. throw it away and buy another party gift
B. contact the company that sold her the gift
C. post her concern about the gift on social media
D. stay home from the party because she has no gift

24. Monique has a large unexpected expense. What is the best source for funds?

A. credit card
B. pawn shop
C. payday loan
D. rainy day fund

25. Which asset is most liquid?

A. stocks
B. real estate
C. savings account
D. certificate of deposit
26. Which investment option has the lowest risk when saving for retirement?

A. penny stocks
B. money market fund
C. antique collectibles
D. income and growth stocks

27. Maria has $500. She wants to double her money in five years. What interest rate does she need?

A. 3.6%
B. 6.9%
C. 10.0%
D. 14.4%

28. Which instrument, issued by financial institutions and insured by the FDIC, limits access to money?

A. stocks
B. mutual funds
C. checking account
D. certificate of deposit
29. What is an interest-bearing account that provides limited check writing and requires higher minimum balances?

A. dividend
B. money market
C. checking account
D. certificate of deposit

30. How is APR defined for a consumer loan?

A. actual primary rate
B. annual primary rate
C. actual percentage rate
D. annual percentage rate

31. Meredith writes a check for $500 to a lender who gives her $450 in cash and keeps $50 in fees. The lender keeps the check until an agreed upon date, then cashes the check.

Which type of credit did Meredith use?

A. title loan
B. pawn loan
C. payday loan
D. rent-to-own

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32. Zeke has college expenses totaling $10,000 for next semester. He has $5,000 in his savings account and scholarships in the amount of $3,000. Which loan is the best option for Zeke to obtain the remaining $2,000 for college expenses?

A. title loan  
B. payday loan  
C. student loan  
D. consumer loan

33. When Charlie and Wendy purchased their home, the bank required $3,000 for property taxes and insurance premiums. Which type of mortgage account is set up to handle this transaction?

A. equity  
B. escrow  
C. truth in lending  
D. good faith estimate

34. What is an example of a secured loan?

A. mortgage  
B. credit card  
C. student loan  
D. personal loan
35. **What is an example of an unsecured loan?**

A. car loan  
B. mortgage  
C. credit card  
D. furniture loan

36. **Joseph recently broke his ankle. His health insurance will pay part of the cost, but he must pay the rest on a schedule he worked out with the hospital. He is concerned that this debt will negatively affect his credit report.**

   **Which situation would cause Joseph’s medical bill to lower his FICO score?**

A. He makes late payments.  
B. He has a large medical bill.  
C. He files an insurance claim.  
D. He pays the bill in installments.

37. **Credit bureaus can make mistakes. What should Gregg do if he finds a mistake on his credit report?**

A. contact the credit bureau right away  
B. do nothing unless his name and address are incorrect  
C. ignore the mistake unless he is turned down for a loan  
D. wait until he needs to borrow money to correct the mistake
38. **Tony received his monthly credit card statement in the mail. Although he did use his card several times during the month, the large balance due surprised him. When he examined the statement, he did not think that some of the charges were correct.**

**How should Tony deal with this situation?**

A. He should not pay any of the bill until he figures it out; if he pays too much, he will not get a refund.

B. He should pay the whole bill; it is probably correct since all of the transactions are tracked by computer.

C. He should pay the minimum payment and call the credit card company to ask for a higher credit limit because the incorrect charges will make it difficult to make future purchases.

D. He should review his purchase receipts and then contact the credit card company to discuss the questionable charges, cancel the credit card, and continue to make payments while waiting for the disputed charges to be resolved.

39. **What is subject to federal taxes?**

A. 529 earnings

B. Roth IRA earnings

C. Health Savings Account contributions

D. interest earned on United States Savings Bonds
40. Which term is generally used to describe stock of a very small company that trades at less than $5 per share?

A. penny
B. growth
C. common
D. blue chip

41. What is a percentage indicator of how profitable a company is relative to its total assets?

A. rate of return
B. rate of change
C. rate of inflation
D. rate of exchange

42. Which argument supports the idea that payment of dividends increases the value of a company’s stock?

A. Investors prefer current payments over potential future earnings.
B. Reinvestment of earnings increases the ability of a business to grow.
C. Terms of payments to investors should be determined by a board of directors.
D. Newer businesses are better able to issue payments than established businesses.
43. Caroline invested all her money in Company A. How could she have lowered her investment risk?
   A. by purchasing bonds
   B. by putting her money in a 401(k)
   C. by keeping her money in her checking account
   D. by purchasing a variety of investment instruments

44. Joe is taking a high school personal finance class where he is learning about investing. He and his dad find a penny stock in which to invest a small amount of money. What could be said about predicting the rate of return?
   A. The rate of return will be zero.
   B. The rate of return is uncertain.
   C. The rate of return is likely to be low.
   D. The rate of return is likely to be high.

45. How can individuals best protect themselves from financial risks associated with unexpected events?
   A. by paying with cash
   B. by working two jobs
   C. by establishing credit
   D. by purchasing insurance
46. Which action describes an effective way to protect your computer from a cyberattack?

A. using antivirus software
B. ignoring error messages
C. clicking on pop-up links in advertisements
D. clicking on links in e-mails from unknown senders
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