

Personal Finance Test

*Tips: Answer **all** questions – there is no penalty for guessing – and especially the last ten questions, those are used to break ties.*

The test is 60 minutes long, and has 100 questions. Non-graphing calculators will be provided.

1. The fixed yearly amount of money earned by an employee is known as
 - A. An expenditure
 - B. A wage
 - C. A bonus
 - D. A salary

2. Money subtracted from an employee's gross earnings is called
 - A. An exemption
 - B. A discount
 - C. A deduction
 - D. Compensation

3. A Payee's signature on the back of a check is known as
 - A. An exemption
 - B. An endorsement
 - C. A deduction
 - D. A reconciliation

4. The Wage and Tax Statement showing the wages an individual earned for the year and the amount of income tax that is withheld is a
 - A. 1040 form
 - B. 1099 form
 - C. W-2 form
 - D. W-4 form

5. The record of deposits and withdrawals for a checking account is kept in a
 - A. Checkbook register
 - B. Credit bureau
 - C. Credit report
 - D. Certified check

6. A form used to place money into a checking or savings account is called a
 - A. Withdrawal slip
 - B. Register
 - C. Deposit slip
 - D. Overdraft

7. Most financial experts agree that families should set aside at least, _____ percentage of their disposable income each pay period.
 - A. 10
 - B. 15
 - C. 20
 - D. 25

8. The act known for its provisions requiring full disclosure of all charges in a credit transaction is called the
 - A. Fair credit reporting act
 - B. Fair credit billing act
 - C. Truth in lending act
 - D. Equal credit opportunity act

9. Which of the following is a savings plan whereby an individual sets aside a certain amount of money for retirement?
- A. Savings account
 - B. Checking account
 - C. IRA account
 - D. Money market account
10. Which type of credit option still remains after bankruptcy?
- A. Credit card debt
 - B. Car loans
 - C. Student loans
 - D. Business loans
11. Credit may not be denied because
- A. You are not employed
 - B. You receive public assistance
 - C. Your work is temporary
 - D. You have filed for bankruptcy in the past
12. If you only sign your name to the back of a check, this type of endorsement is called
- A. Special
 - B. Full
 - C. Restrictive
 - D. Blank
13. An outstanding check is a check that
- A. Has been cashed by the payee
 - B. Has not been endorsed
 - C. Has not been returned to the drawer's bank
 - D. Has been rejected by the bank

14. A personal property inventory is most commonly used for
- A. Proof of loss from a fire, theft, or property damage
 - B. A car loan application
 - C. A credit card application
 - D. An employment application
15. Writing checks for more money than you have will result in your account being
- A. Endorsed
 - B. Reconciled
 - C. Registered
 - D. Overdrawn
16. Payments citizens make to the government to pay for government services are called
- A. Returns
 - B. Deductions
 - C. Taxes
 - D. Audits
17. Unlicensed lenders who charge illegally high interest rates are
- A. Financiers
 - B. Loan sharks
 - C. Pawnbrokers
 - D. GMACs
18. What strategy lowers the selling price of a stock and encourages more stock purchasing?
- A. Stock split
 - B. Dividend reinvestment
 - C. Dollar cost averaging
 - D. P/E analysis

19. A not for profit financial institution similar to a bank is a
- A. Mutual fund company
 - B. Individual Retirement Account
 - C. Credit Union
 - D. Credit Bureau
20. Choosing a longer investment period when you buy a certificate of deposit (CD)
- A. Often ensures a higher interest rate
 - B. Often ensures a lower interest rate
 - C. Has no effect on the interest rate
 - D. Often decreases the dividend you receive
21. Secured loans are guaranteed by an asset of the borrower, known as
- A. Collateral
 - B. Credit
 - C. A certificate of deposit (CD)
 - D. A dividend
22. One factor that makes prices go up and down is
- A. Inflation
 - B. Economics
 - C. The gross domestic product
 - D. Supply and demand
23. The government agency that enforces rules about labeling and advertising is the
- A. Consumer Product Safety Commission
 - B. Food and Drug Administration
 - C. Federal Trade Commission
 - D. Better Business Bureau

24. Losses or risks that an insurance policy will not cover are called
- A. Deductibles
 - B. Premiums
 - C. Exclusions
 - D. Claims
25. Liability insurance covers
- A. Property damage to your car and your injuries
 - B. Your injuries, and protection for your dependants if you die
 - C. Fire, theft, and vandalism for your car
 - D. Damage to other cars or injuries to other people you are responsible for
26. A preferred provider organization (PPO) offers
- A. Lower costs than an HMO, but less choice of doctors
 - B. Higher costs than an HMO, but more choice of doctors
 - C. Lower costs than major medical coverage, but- more choice of doctors
 - D. Higher costs than major medical coverage, but more choice of doctors
27. In a health maintenance organization (HMO), members usually pay a small
- A. Deductible
 - B. Coinsurance
 - C. Copayment
 - D. Claim
28. A type of insurance that lets you borrow against a reserve of money is
- A. Term life insurance
 - B. Whole life insurance
 - C. Disability insurance
 - D. Liability insurance

29. Your taxable income is your income after
- A. You have paid all your taxes
 - B. You have subtracted certain permitted amounts
 - C. You have listed your exemptions
 - D. Withholding
30. Social Security provides benefits for
- A. People age 65 or older only
 - B. Retired people only
 - C. People of all ages
 - D. People who have purchased work credits
31. Self-employed people
- A. Are not eligible for Social Security
 - B. Do not have to pay Social Security tax
 - C. Do not have to earn work credits
 - D. Must pay both the employee's and the employer's share of Social Security
32. On your paycheck, the box labeled FICA shows taxes you have paid to support
- A. Social Security
 - B. The Internal Revenue Service
 - C. Fire and police protection
 - D. Education and transportation
33. An amount of money deposited for a fixed amount of time at a stated interest rate is called a
- A. Certificate of deposit (CD)
 - B. Stock certificate
 - C. Dividend
 - D. Secured loan

34. An economic system in which individuals or companies can buy and sell and set prices with little government interference is called the
- A. Business cycle system
 - B. Consumer Price Index System
 - C. Free-enterprise system
 - D. Standard of Living System
35. The largest part of most people's earnings is used to pay for
- A. Food
 - B. Transportation
 - C. Entertainment
 - D. Housing
36. The amount of credit above what you already owe, and which could be used to charge purchases is called
- A. Earned
 - B. Unearned
 - C. Used
 - D. Unused credit
37. Which of the following is closed-ended credit?
- A. Revolving account
 - B. 30-day credit account
 - C. Installment purchase agreement
 - D. Retail store account

38. Which of the following is open-ended credit?

- A. Revolving account
- B. Installment purchase agreement
- C. Installment cash loan
- D. Service credit

39. A disadvantage of credit is

- A. Higher costs
- B. Increased buying power
- C. Deferred billing
- D. Proof of Purchase

40. A table showing how much principle and interest is paid for each mortgage payment made.

- A. Principle
- B. Mortgage
- C. Amortization
- D. Escrow

41. A professionally managed group of investments bought using a pool of money from many investors

- A. Mutual fund
- B. Common stock
- C. Certificate of Deposit (CD)
- D. Preferred stock

42. The letter "s" next to a stock in the stock listings would mean
- A. No stock sold
 - B. Common stock
 - C. Stock split
 - D. No dividends
43. What represents the cost of dividends as a percentage of the current price?
- A. P/E Ratio
 - B. Par value
 - C. Yield
 - D. Net change
44. What is a long-term investment technique where investors buy stock directly from a corporation?
- A. Dividend reinvestment
 - B. Stock split
 - C. Direct investment
 - D. Buy and hold
45. A savings plan whereby an individual sets aside a certain amount of money for retirement
- A. Put and take account
 - B. Systematic investment
 - C. IRA
 - D. Emergency fund

46. A form used to withdrawal money from a savings account
- A. Deposit slip
 - B. Withdrawal slip
 - C. Overdraft slip
 - D. Payment slip
47. The amount of money borrowed to purchase a property
- A. Principle
 - B. Interest
 - C. Escrow
 - D. Mortgage
48. The fees that must be paid at the closing of buying a house: down payment, agent fees, points, attorney fees, and taxes
- A. County tax
 - B. Abstract
 - C. Escrow
 - D. Closing costs
49. When you make a mortgage payment every two weeks
- A. Monthly
 - B. Bi-monthly
 - C. Bi-weekly
 - D. Weekly
50. A real estate agent that looks out the interests of the home buyer
- A. Seller's agent
 - B. Buyer's agent
 - C. Real estate agent
 - D. Personal agent

51. As a credit user you have responsibilities to
- A. Yourself and your creditors
 - B. Your parents
 - C. Your parents
 - D. Yourself only
52. A hold or claim one person has on the property of another person to secure the payment of a debt is a
- A. Bond
 - B. Lien
 - C. Mortgage
 - D. Secured loan
53. When a buyer deposits a portion of the purchase price as evidence of good faith to show that purchase offer is serious, he is depositing
- A. Earnest money
 - B. Down payment
 - C. Early installments
 - D. Cash on delivery
54. The quantity of goods and services that producers are willing and able to make is
- A. Inventory
 - B. Stock
 - C. Supply
 - D. Goods on hand

55. The willingness and ability of consumers to purchase goods and services at certain prices is
- A. Demand
 - B. Purchasing power
 - C. Buying preference
 - D. Credit capacity
56. What is purchasing power?
- A. The amount of goods up for sale in a country
 - B. Amount of goods and services that can be obtained with a specific amount of money
 - C. When consumers are forced to purchase from a seller because that seller is the only one offering a certain good or service
 - D. When there is only one producer or supplier
57. If a car manufacturer discovered a defect in the steering system of one of its models, it would issue a _____ and summon back any vehicles of that model it has sold
- A. Claim
 - B. Community announcement
 - C. Product hazard warning
 - D. Recall
58. Xavier recently received a check from his grandparents for his birthday. However, he misplaced that check and cannot find it. What can his grandparents do to ensure that the check is not cashed by the wrong person?
- A. Write another check
 - B. Give Xavier cash next time
 - C. Issue a stop order payment
 - D. Close their bank account

59. A person's home has _____ liquidity

- A. No
- B. Some
- C. High
- D. Low

60. _____ represent ownership in a corporation

- A. Stocks
- B. Certificates of Deposit (CD)
- C. Bonds
- D. Loans

61. The government needs money to help finance its spending. It would issue _____, which are debt obligations of the government, and will be paid back with interest upon the date noted.

- A. Stocks
- B. Investment portfolios
- C. Bonds
- D. Mutual funds

62. _____ stocks receive fixed dividends

- A. Common
- B. Preferred
- C. All
- D. No

63. _____ stocks allow the holder to cast votes at shareholders meetings
- A. All
 - B. No
 - C. Common
 - D. Preferred
64. Penny stocks are
- A. Stocks that can only be bought or sold for a penny
 - B. The most expensive type of stocks
 - C. Inexpensive stocks, that usually sell under \$5, but are highly speculative
 - D. Stocks that sell between \$0.01 and \$99.99
65. One would buy income stocks if he was looking to
- A. Make a long term investment
 - B. Receive income now
 - C. Speculate on the stock's performance
 - D. Invest in newly opened businesses
66. A growth stock is a stock that
- A. Belongs to a company that reinvests profits into the business so that it can grow and expand
 - B. Doubles its value each time it receives dividends
 - C. Has a consistent history of paying high dividends
 - D. Never decreases in value
67. Stocks of large, well established and usually profitable businesses are called
- A. Yellow chip stocks
 - B. Red chip stocks
 - C. Green chip stocks
 - D. Blue chip stocks

68. The assigned and often arbitrary value printed on the stock certificate is called the

- A. Par value
- B. Market value
- C. Sale value
- D. Face value

69. The amount you pay when you buy a stock is the

- A. Market value
- B. Sale value
- C. Buyer's value
- D. Seller's value

70. A bond expires and must be repaid when it reaches its _____ date

- A. Sell by
- B. Withdrawal
- C. Maturity
- D. Resale

71. What are corporate bonds backed by general credit standing of corporation

- A. Debentures
- B. Liens
- C. General obligation bonds
- D. Revenue bonds

72. A reverse mortgage is when

- A. A homeowner sells his house and is paid in installments by the bank
- B. Elderly homeowners receive tax free income in the form of a loan that is paid back, with interest, when the home is sold or the homeowner dies
- C. A person buys a home and pays it off in installments, including interest
- D. A mortgage is refinanced under new terms

73. The retirement account where employee makes nontaxable contributions for your benefit and reduces your salary or gross pay is called a
- A. Deduction
 - B. 401(k)
 - C. 403(b)
 - D. IRA
74. Employees of schools, tax-exempt organizations, and government units are among those eligible for this kind of retirement plan
- A. 403(b)
 - B. 401(k)
 - C. Keogh Plan
 - D. IRA
75. All that a person owns, less debts owed, while they are living is called their
- A. Will
 - B. Treasury
 - C. Inheritance
 - D. Estate
76. A preestablished amount that can be borrowed on demand is a
- A. Loan
 - B. Bond
 - C. Line of credit
 - D. Mortgage
77. The annual cost of credit, expressed at a yearly rate, is the
- A. APR
 - B. IRA
 - C. IRS
 - D. EPA
78. The ability to repay a loan is called
- A. Borrowing power
 - B. Lending power
 - C. Capacity
 - D. Character
79. Chapter _____ bankruptcy provides that existing management retains control of a business unless a trustee is appointed by the court
- A. 7
 - B. 13
 - C. 11
 - D. 12

80. Chapter _____ bankruptcy allows creditors to get some of their money back, but debtors keep all their property and work out a compulsory, court enforced plan to repay portion of debts over a period of time
- A. 11
 - B. 10
 - C. 7
 - D. 13
81. _____ pay is the amount after all deductions are made
- A. Net
 - B. Gross
 - C. Deducted
 - D. Exempted
82. _____ is an example of a variable expense
- A. Rent
 - B. Car payment
 - C. Mortgage
 - D. Entertainment
83. Matching your checkbook with the bank statement is called
- A. Reaffirmation
 - B. Reconciliation
 - C. Readjustment
 - D. Replacement
84. What is left over after bills are paid is called the _____ income
- A. Net
 - B. Gross
 - C. Discretionary
 - D. Exempted
85. The Truth in Lending Act limits your liability when a credit card is lost or stolen to the first _____, unless the card is reported lost or stolen before it is used.
- A. \$10.00
 - B. \$25.00
 - C. \$50.00
 - D. \$100.00
86. The formula $I = P \times R \times T$ is for computing
- A. Annual percentage rate
 - B. Compound interest
 - C. Simple interest
 - D. Costs of loans

87. An electronic funds transfer (EFT) occurs when you
- A. write a check
 - B. purchase a money order
 - C. use a debit card
 - D. pay cash
88. The easiest way to compare different credit costs is to compare
- A. Down payments
 - B. Annual percentage rates
 - C. Installments
 - D. Credit ratings
89. An example of consumer fraud is
- A. taking advantage of discount stores
 - B. timing purchases
 - C. misleading prize notifications
 - D. searching for a good consumer deal
90. Producers and consumers
- A. must be geographically far apart
 - B. can be geographically far apart
 - C. must do business in the same place
 - D. can fluctuate because of three main factors
91. The movement from good economic times to bad and back to good is known as
- A. the business cycle
 - B. inflation
 - C. the Consumer Price Index
 - D. the standard of living
92. When unemployment is low,
- A. a lower standard of living can result
 - B. it is a sign that the economy is not doing well
 - C. personal difficulties for families can be more common
 - D. fewer people are looking for work
93. Which of these investment strategies is a short-term technique?
- A. Buying on margin
 - B. Buy and hold
 - C. Dollar-cost averaging
 - D. Direct investment
94. Which of these investment strategies is a long-term technique?
- A. Buying on margin
 - B. Selling short
 - C. Buy and hold
 - D. All of the above

95. Which of the following is not a common cause of bankruptcy?
- A. Business failure
 - B. Low-paying job
 - C. Emotional spending
 - D. Catastrophic injury or illness
96. The state of the economy that can affect your ability to repay debt is called
- A. Collateral
 - B. Capacity
 - C. Capital
 - D. Conditions
97. Banks that lend money to people to start a new business require a business description and a(n)
- A. Income statement
 - B. Financial plan
 - C. Partnership agreements
 - D. Guarantee of success
98. Because downsizing and the global market have placed greater demands on workers, many companies spend money on
- A. Pension plans
 - B. Natural resources
 - C. Severance pay
 - D. Employee training
99. If your employer withheld more money from your paychecks than you owe on your tax return
- A. you will be audited
 - B. you will receive a tax refund.
 - C. you will owe extra tax.
 - D. your employer will have to pay a fine
100. Which credit rating is earned by a customer who pays bills on the due date or within the 10-day grace period?
- A. Excellent
 - B. Good
 - C. Fair
 - D. Poor