

Q:

\_\_\_\_\_ income is the money that remains after paying taxes and other required payments such as rent, food, transportation, etc.

- Discretionary
- Disposable
- Deferred
- Disproportionate

A:

Discretionary

Q:

A \_\_\_\_\_ is a financial situation that occurs when more money is spent than is earned or received.

- Default
- Overdraft
- Deficit
- Liability

A:

Deficit

Q:

A commercial bank:

- is a not-for-profit institution.
- serves businesses, whereas a non-commercial bank serves individuals.
- must have a charter, or license, from either the federal government or a state government.
- must be a member of the FDIC.

A:

must have a charter, or license, from either the federal government or a state government.

Q:

A mortgage is \_\_\_\_\_.

- a long-term loan extended to someone who buys a house.
- the earnest money that a buyers pay when they put a contract on a property.
- the escrow account which holds a buyer's earnest money.
- home insurance for damages to the structure of the property.

A:

a long-term loan extended to someone who buys a house.

Q:

A nonprofit financial institution that is owned by its members and organized for their benefit that offers a range of services which may include checking accounts, loans, and credit cards is a:

- credit union
- commercial bank
- savings and loan association (S & L)
- mutual savings bank

A:

credit union

Q:

A portion of your earnings that is automatically taken out of your paycheck and put into your savings or retirement is known as \_\_\_\_\_.

- Pre-service savings
- Direct payment
- Auto pay
- Payroll savings

A:

Payroll savings

Q:

Advantages of renting a home vs. buying a home are:

- Low maintenance responsibility
- Low financial commitment
- Tax benefits
- Pride of ownership

A:

- Low maintenance responsibility
- Low financial commitment

Q:

An automatic deposit of net pay from an employer to an employee's designated bank account instead of issuing a paper check is referred to as a \_\_\_\_\_.

- ATM
- Prepaid card
- Direct pay
- Direct deposit

A:

Direct deposit

Q:

APR stands for

- Actuarial Progress Report
- Account Principal Reduction
- Annual Percentage Rate
- Annual Periodic Rate

A:

Annual Percentage Rate

Q:

Assets minus liabilities equal \_\_\_\_\_.

- Earned income
- Net worth
- Deferred income
- Cash flow

A:

Net worth

Q:

At a real estate closing, buyers and sellers must pay closing costs which are fees and charges associated with the transaction. Closing costs may include:

- title search fee, title insurance, appraisal and recording fees
- seller's moving expenses
- credit report and lender's origination fee
- buyer's moving expenses

A:

title search fee, title insurance, appraisal and recording fees  
credit report and lender's origination fee

Q:

Banks and other financial institutions offer services in payment, savings and loans. Which of the following is an example of a savings service?

- Savings account
- Money market account
- Certificate of deposit
- Direct payment

A:

Savings account  
Money market account  
Certificate of deposit

Q:

Barry bought a \$1,000 corporate bond that paid a 6% fixed interest rate. If corporate bond rates increased to 7% and Barry sold the bond before maturity, what price would he get for the bond?

- \$1,000
- \$857
- \$700
- \$673

A:

\$857

Q:

Benefits of using a credit card to make a purchase include:

- Having a record of purchases.
- Paying the price of the item plus interest if the credit card balance isn't paid in full.
- Purchasing now rather than waiting.
- Having the direct debit withdrawal from your checking account at the time of the purchase.

A:

Having a record of purchases.

Purchasing now rather than waiting.

Q:

Capital gains refers to:

- Interest earned on money in a savings account.
- Return on rental property.
- Payments from a life insurance policy.
- Profit from the sale of assets such as stocks, bonds or real estate.

A:

Profit from the sale of assets such as stocks, bonds or real estate.

Q:

Carla's monthly gross pay is \$5,000 and her monthly net pay is \$3,800. She saves \$400 per month. Calculate her savings ratio.

- 76%
- 131%
- 10.50%
- 8%

A:

8%



Q:

Carmen and Ray's combined income is \$75,000. Their banker advised them that the most they should spend for a house is 2.5 times their income. Based on that advice, what's the maximum amount they should spend on a house?

- \$75,500
- \$150,000
- \$175,500
- \$187,500

A:

\$187,500

Q:

Checking account services can include which of the following?

- ATM service
- Banking by telephone and/or online
- Overdraft protection
- Automatic checkbook balancing

A:

ATM service  
Banking by telephone and/or online  
Overdraft protection

Q:

Compounding is the process in which interest is earned on both the principal--the original amount deposited--and on any accrued interest.

Which of the following statements is true?

- After the first compounding, the compounded rate of return is less than the stated year's rate.
- The more frequently your balance is compounded, the greater your yield, or rate of return.
- Annual percentage yield (APY) is most likely lower than your stated annual rate of return on a compounded interest savings account.
- Annual percentage yield (APY) is useful in comparing savings plans that have different rates and compounding frequency.

A:

The more frequently your balance is compounded, the greater your yield, or rate of return.

Annual percentage yield (APY) is useful in comparing savings plans that have different rates and compounding frequency.

Q:

Compounding is the process in which interest is earned on:

- Only the principal
- Only the original amount you deposited
- The principal and on any previously earned interest
- Only the previously earned interest

A:

The principal and on any previously earned interest

Q:

Credit refers to borrowing money in order to purchase goods and services now and pay for them in the future. What are some disadvantages of using credit?

- Credit makes the cost of items more than the purchase price since it includes paying interest on the loan.
- Using credit tempts people to buy items for which they haven't saved enough to purchase.
- You risk getting a bad credit rating, or credit reputation, if you don't repay credit loans on time.
- Using credit may be safer than shopping and traveling with a lot of cash.

A:

Credit makes the cost of items more than the purchase price since it includes paying interest on the loan.

Using credit tempts people to buy items for which they haven't saved enough to purchase.

You risk getting a bad credit rating, or credit reputation, if you don't repay credit loans on time.

Q:

Denny bought 100 shares of High Tech, Inc., for \$50 a share, held the stock for a year, and sold it for a capital gain of \$5 per share.

During that year, he received a dividend of \$1.25 per share. What was his total return per share?

- \$51.25
- \$36.25
- \$16.25
- \$6.25

A:

\$6.25

Q:

Equity in your home refers to:

- the price for which you could sell your home.
- the cost of building or purchasing your home.
- the loan(s) you have in order to purchase your home, also known as your mortgage.
- the price you could sell your home for minus the amount you owe on the amount you borrowed to purchase it.

A:

the price you could sell your home for minus the amount you owe on the amount you borrowed to purchase it.

Q:

Expenses associated with owning a home, in addition to your mortgage payment, may include:

- property taxes and homeowner's insurance.
- income taxes and life insurance.
- personal property taxes and liability insurance.
- automobile insurance and life insurance.

A:

property taxes and homeowner's insurance.

Q:

Financial goals can be defined in terms of the time it takes to achieve them. Which of these is an example of a short-term goal?

- Saving for retirement
- Saving for college
- Saving for a computer
- Saving for a new pair of jeans

A:

- Saving for a computer
- Saving for a new pair of jeans

Q:

Four customers receive dealer financing to buy the same type of car at the same price. Each of the customers were granted the loan, but each at a different interest rate. Which customer likely received the highest interest rate?

- The recent college grad who just landed her first job
- The recent high school grad who just landed her first job.
- The 50 year old administrative assistant who has been an editor at the same company for 25 years
- The 65 year old retiree from a 40 year career with the Post Office

A:

- The recent high school grad who just landed her first job.

Q:

Gene's monthly credit payments are \$350, his mortgage is \$1,250 and his take-home pay is \$3,500. Calculate his debt-payments ratio.

- 45%
- 10%
- 28%
- 20%

A:

10%

Q:

Homeowners have expenses associated with owning a home such as homeowners insurance, maintenance costs and \_\_\_\_\_.

- FICA (social security contributions).
- property taxes.
- federal income taxes.
- rental insurance.

A:

property taxes.

Q:

How can you obtain overdraft protection on your checking account?

- Your financial institution may offer overdraft protection which is an automatic loan made to an account if the balance will not cover checks written.
- Your financial institution may offer an overdraft protection service that transfers money from your savings to your checking account.
- Your financial institution may offer a parental coverage (PC) plan in which money is withdrawn from your parents' account to cover an overdraft on your account.
- Your financial institution may put a hold on any overdrafts until your next paycheck is deposited.

A:

Your financial institution may offer overdraft protection which is an automatic loan made to an account if the balance will not cover checks written.

Your financial institution may offer an overdraft protection service that transfers money from your savings to your checking account.

Q:

How many districts make up the Federal Reserve System?

- 4
- 8
- 12
- 16

A:

12

Q:

If you are expecting relatively high inflation, which savings method would you choose from among these options?

- Saving your money in a shoe box on your closet floor
- Saving your money in your statement savings account
- Saving your money in a long-term Certificate of Deposit
- Saving your money by purchasing I-Bonds

A:

Saving your money by purchasing I-Bonds

Q:

If your down payment on a house is less than 20 percent, some lenders will require you to obtain PMI. What is PMI?

- Professional Management Insurance
- Property Maintenance Income
- Property Maintenance Insurance
- Private Mortgage Insurance

A:

Private Mortgage Insurance



Q:

In order to get a lower interest rate on a mortgage, you may have to pay points--extra charges that must be paid by the buyer to the lender. Each point equals one percent of the loan amount. If Sally chooses to pay two points on a \$150,000 mortgage in order to get a lower mortgage rate, how much are these points costing her?

- \$1,000
- \$2,000
- \$3,000
- \$4,000

A:

\$3,000

Q:

In regard to rental property, the person who rents the property is known as the \_\_\_\_\_.

- Landlord
- Investor
- Broker
- Tenant

A:

Tenant

Q:

Inflation can be especially hard on certain groups. Which of the following would be harmed from unexpected inflation?

- Retired people whose income may not increase
- Employees whose contract includes a COLA clause
- Debtors
- Creditors

A:

Retired people whose income may not increase  
Creditors

Q:

Investment income generally falls into three categories:

- Tax-exempt, tax-deferred and charitable.
- Tax-exempt, tax-deferred and taxable.
- Tax-exempt, tax-related and taxable income.

A:

Tax-exempt, tax-deferred and taxable.

Q:

Jakita's income for last month was \$2,350. Her monthly fixed expenses were \$1,550, and her variable expenses totaled \$900. Did she have a surplus or deficit for that month?

- Surplus
- Deficit
- Neither—she had a balanced account.
- Both—a surplus in income and a deficit in expenses.

A:

Deficit

Q:

Jamiel's grandmother knew he was taking a personal finance class so she asked him for examples of safe places to invest her savings. Which of the following are considered to be relatively safe investments?

- Commodities and precious metals
- Government bonds and certificates of deposit (CDs)
- Stocks and corporate bonds
- Real estate

A:

Government bonds and certificates of deposit (CDs)

Q:

Joel buys a bottle of water from the vending machine for \$1.25 every day when he arrives at his after-school job. Joel makes \$6.25 per hour and works for four hours each day, five days a week. What percentage of his after-school gross pay is he spending for bottled water?

- 20%
- 10%
- 5%
- 2%

A:

5%

Q:

Joshua had \$20,000 in liabilities and a net worth of \$40,000. Calculate his debt ratio.

- 0.5
- 2
- 4
- 0.8

A:

0.5

Q:

Kimberly wants to buy a house for \$100,000. Her lender said that it would be easier to get a loan if she would put 20 percent down. What amount does Kimberly need for a down payment?

- \$200
- \$2,000
- \$20,000
- \$22,000

A:

\$20,000

Q:

Level of education and income earned are generally \_\_\_\_\_.

- Unrelated
- Directly related
- Indirectly related
- Negotiable

A:

Directly related

Q:

Liquidity is the ability to easily convert financial assets into

- A slush fund
- Liabilities
- Cash
- Electronic payments

A:

Cash

Q:

Lynn developed a budget that includes saving a total of \$5,000 by the time she graduates from college. How can she best reach that goal and grow her savings?

- Put the money in a jar and hide it in a kitchen cabinet.
- Keep the money in a non interest-bearing checking account.
- Put the money in an interest-bearing savings account.
- Put the money in a bond.

A:

Put the money in an interest-bearing savings account.

Put the money in a bond.

Q:

Many businesses offer their employees \_\_\_\_\_, an automatic deposit of net pay to the employee's bank account.

- direct deposit
- direct payment
- automated tellers
- debit card

A:

direct deposit

Q:

Marcela owns a \$1,000 corporate bond that pays 5.5% interest annually. If the current market value of her bond is \$1,100, then what is the current yield of her bond investment?

- 5%
- 5.5%
- 10%
- 15%

A:

5%

Q:

Maria was trying to decide between a fixed-rate mortgage and an adjustable-rate mortgage (ARM). She chose a fixed-rate mortgage. Which reason below would be consistent with her choice?

- Maria wanted to know the exact amount of her mortgage payment for the next 30 years.
- Maria thought that in a few years interest rates would go down for an extended period of time.
- Maria wanted the lowest interest rate possible for the first few years of the loan since she was still in medical school and had a limited income for the next few years.
- Maria wanted a low interest rate since she was in the military and would likely be transferred in a few years.

A:

Maria wanted to know the exact amount of her mortgage payment for the next 30 years.

Q:

Most lenders' policies for extending credit are based on the "five Cs of credit." What are the five Cs of credit?

- Credit history, crime record, commitment, collateral and capacity
- Credit history, cost of credit, credit opportunity, collateral and commitment
- Credit history, character, capacity, capital and collateral
- Credit history, credit consumption, credit opportunity, credit file and credit report

A:

Credit history, character, capacity, capital and collateral





Q:

Profits that a company reinvests, usually for expansion or to conduct research and development, are called:

- Retained earnings
- Dividends
- Investment liquidity
- Fixed income

A:

Retained earnings

Q:

Renters may be required to pay a security deposit when renting an apartment. When the renter moves out, the landlord must return the security deposit minus \_\_\_\_\_.

- a standard deduction which is often \$100.
- nothing. Renters are unconditionally entitled to 100% refund on their security deposit.
- any charges for damage caused by the renter and any unpaid rent.
- a small handling fee which is usually \$15 to \$25.

A:

any charges for damage caused by the renter and any unpaid rent.

Q:

Robbie buys a bottle of water from the vending machine for \$1.25 and a candy bar for \$1.35 every day when he arrives at his after-school job. Robbie makes \$6.50 per hour and works for four hours each day. What percentage of his after-school gross pay is he spending for bottled water and candy?

- 20%
- 10%
- 5%
- 2.60%

A:

10%

Q:

Rolando had a choice between paying points and getting a lower interest rate on his mortgage, or not paying points and getting a higher interest rate on his mortgage. What factor should he think about when making the decision of whether or not to pay the points?

- How much he likes the house
- How close the house is to where he works
- How close the house is to his parents' house
- How long he will live in the house

A:

How long he will live in the house

Q:

Sean was saving money to buy a car. He had \$4,000 in a savings account which earned 4% interest last year. The annual inflation rate was 3%. What was Sean's real (inflation-adjusted) rate of return on the savings?

- 12%
- 7%
- 1%
- -1%

A:

1%

Q:

Shannon got a 10 percent fixed-rate, thirty-year mortgage five years ago. Since then mortgage rates have fallen. What should Shannon ask before she makes the decision to refinance?

- Will my lender get his feelings hurt if I refinance?
- How many more years do I plan to keep this house?
- How much in extra fees will I pay in order to refinance?
- What is the difference between my current mortgage rate and a new rate?

A:

- How many more years do I plan to keep this house?
- How much in extra fees will I pay in order to refinance?
- What is the difference between my current mortgage rate and a new rate?

Q:

Some criteria to use when evaluating credit card options are:

- Location of the credit card company
- Annual percentage rate (APR)
- Annual fees
- Late payment fees

A:

Annual percentage rate (APR)

Annual fees

Late payment fees

Q:

Suppose that you earned \$2,200 gross monthly income and you were paid twice a month. What would be your savings ratio if you saved approximately \$60 from each paycheck?

- 2.70%
- 36.60%
- 5.40%
- 18.30%

A:

5.40%

Q:

Suppose that your monthly net income is \$2,500 and your monthly debt payments for student loans and credit cards is \$500. What is your debt payments-to-income ratio (DPR)?

- 5%
- 10%
- 15%
- 20%

A:

20%

Q:

The 401(k) and 403(b) retirement plans offered by your employer or privately held by the employee are:

- Tax-exempt
- Tax-deferred
- Taxable
- Non-taxable

A:

Tax-deferred

Q:

The amount of interest that a deposit would earn, after compounding, for one year is called:

- APR-Annual Percentage Rate
- APY-Annual Percentage Yield
- APC-Annual Percentage Compounded
- AIR-Annual Interest Rate

A:

APY-Annual Percentage Yield

Q:

The Check Clearing for the 21st Century Act, or "Check 21", took effect October 28, 2004. What does this act allow?

- The act allows banks to hold customers' funds for 21 days before paying interest on those funds.
- The act allows banks to transmit electronic images of checks rather than paper checks through the check-clearing process.
- The act allows banks to close on ten bank holidays throughout the year.
- The act allows banks to pay interest on checking accounts if holders of the accounts keep a specified minimum balance.

A:

The act allows banks to transmit electronic images of checks rather than paper checks through the check-clearing process.

Q:

The CPI measures the changes in prices for a “market basket” of commonly purchased goods and services. What does CPI stand for?

- Company Product Information
- Common Product Inventory
- Consumer Products Index
- Consumer Price Index

A:

Consumer Price Index

Q:

The economic term used to describe what is given up when choosing one alternative instead of another is \_\_\_\_\_.

- Free lunch
- Alternative decision
- Second best
- Opportunity cost

A:

Opportunity cost



Q:

The Federal Reserve is responsible for:

- Managing the U.S. money supply in order to ensure that all citizens have an equal amount of money.
- Managing the U.S. money supply in order to ensure that the social security trust fund is fully funded.
- Managing the U.S. money supply in order to maintain the U.S. gold supply.
- Managing the U.S. money supply in order to maintain stable prices.

A:

Managing the U.S. money supply in order to maintain stable prices.

Q:

The Federal Reserve is:

- Our nation's central bank
- Land on which drilling for oil is prohibited
- The Federal government's spending and taxing policies
- The administrative branch of the federal government

A:

Our nation's central bank

Q:

The following are the four sources of earned income

- Allowance, gifts, wages, salaries
- Allowance, gifts, wages, interest
- Tax refunds, wages, salaries, interest
- Rent, Interest, wages, profit

A:

Rent, Interest, wages, profit

Q:

The possibility that you may lose your job due to unexpected health problems, family problems, an accident or changes in your field of work is referred to as \_\_\_\_\_ risk.

- Income
- Emergency
- Employment
- Money

A:

Income

Q:

The price of one share of stock divided by the corporation's earnings per share of stock over the last 12 months is known as:

- earnings per share
- total return
- current yield
- price-earnings (PE) ratio

A:

price-earnings (PE) ratio

Q:

The risk that interest rates may go up or down which may affect the cost of borrowing or the profits you earn when you save or invest is referred to as \_\_\_\_\_ risk.

- Interest rate
- Investment rate
- Return rate
- Borrowing rate

A:

Interest rate

Q:

The Rule of 72 refers to

- A formula to estimate how long it takes money to double at a given interest rate
- The number of different types of savings instruments
- A formula to estimate the dividends you receive from owning preferred stock
- No. It provides an estimate of how long it takes money to double at a given interest rate.

A:

A formula to estimate how long it takes money to double at a given interest rate

Q:

To determine your net cash flow, subtract your \_\_\_\_\_ from your \_\_\_\_\_.

- Liabilities from assets
- Credit card debt from income
- Assets from liabilities
- Expenses from income

A:

Expenses from income

Q:

Transmissions Plus stock is selling for \$64 a share. Their earnings per share are \$4. What is Transmissions Plus price-earnings (PE) ratio?

- 256
- 68
- 16
- 4

A:

16

Q:

Tyrone purchased a stock for \$44 per share. He received a dividend of \$1.32 per share. What is his yield on this investment.

- 1.32%
- 3%
- 4.4%
- 5%

A:

3%

Q:

What does "pay yourself first" mean?

- Setting aside a fixed amount as savings before spending income on other items.
- Paying your bills before loaning money to others.
- Depositing your paycheck on the first of every month.
- Spending money for things you want before paying for monthly expenses.

A:

Setting aside a fixed amount as savings before spending income on other items.

Q:

What is a cash flow statement?

- A list of assets minus liabilities
- A list of assets
- A summary of income and expenses during a particular period
- A summary of a company's portfolio of investments at the end of their fiscal year

A:

A summary of income and expenses during a particular period

Q:

What is an advantage of enrolling in your employer's 401(k) or 403(b) plan?

- The amount you choose to contribute is automatically deducted from your paycheck and is not subject to tax until it is withdrawn--usually at retirement age.
- The amount you choose to contribute is automatically deducted from your paycheck and deposited in your employee credit union account.
- The amount you choose to contribute is automatically deducted from your paycheck and deposited in your savings account.
- The amount you choose to contribute is automatically deducted from your paycheck and is sent to the Internal Revenue Service (IRS) to apply to your taxes for that year.

Q:

What is Lakeisha's net worth? She has a \$4,500 car loan on her car which has a value of \$6,500, no credit card debt, \$500 in her checking account, and \$750 in her savings account.

- -\$2,750
- \$3,250
- \$7,750
- \$12,250

A:

The amount you choose to contribute is automatically deducted from your paycheck and is not subject to tax until it is withdrawn--usually at retirement age.

A:

\$3,250

Q:

What is the difference between a home inspection and a home appraisal?

- A home inspection is required and a home appraisal is optional.
- A home inspection is a detailed inspection of the condition of the home, whereas an appraisal is an estimation of the value of the property.
- A home inspection is limited to the foundation and structure of the exterior of the property, whereas an appraisal is limited to the interior structure and condition of the property.
- A home inspection is done by a licensed real estate agent and is paid for by the seller, whereas an appraisal is done by the city or county government and there is no charge for the service.

A:

A home inspection is a detailed inspection of the condition of the home, whereas an appraisal is an estimation of the value of the property.

Q:

What is the difference between a job and a career?

- A job is work you do mainly to earn money; a career is a commitment to work in a field or industry.
- A job is in a for-profit business; a career is in a not-for-profit business.
- A job is always 8 a.m. to 5 p.m.; in a career, you are not on a time clock.
- A job is 40 hours a week; a career may exceed 40 hours/week.
- A job is temporary; a career is permanent.

A:

A job is work you do mainly to earn money; a career is a commitment to work in a field or industry.



Q:

What is the difference in a credit card and a debit card?

- A credit card requires a personal identification number (PIN) but a debit card does not.
- If your credit card is stolen, most card issuers will not hold you responsible if you notify the issuer within a certain period of time. If your debit card is stolen, you are liable for all charges.
- Although both charge a specific rate of interest, a credit card charges a higher rate of interest than a debit card.
- A debit card requires a PIN but a credit card does not.

A:

A debit card requires a PIN but a credit card does not.

Q:

What is the difference in closed-end credit and open-end credit?

- Closed-end credit is a loan with a maximum amount based on the borrower's credit history, whereas open-end credit is a loan with a very high loan amount.
- Closed-end credit is a variable line of credit, and open-end credit is a fixed line of credit.
- Closed-end credit is a loan at a relatively low rate of interest, and open-end credit is a loan for which the interest rate changes monthly.
- Closed-end credit is a one-time type of loan that the borrower pays back over a specified period of time in payments of equal amounts. Open-end credit is a line of credit that can be borrowed for a variety of goods and services.

A:

Closed-end credit is a one-time type of loan that the borrower pays back over a specified period of time in payments of equal amounts. Open-end credit is a line of credit that can be borrowed for a variety of goods and services.

Q:

What is the difference in tax-exempt income and tax-deferred income?

- There is no difference. Neither is subject to taxation.
- Tax-exempt income is not taxed, whereas tax-deferred income is taxed at a later date.
- Tax-exempt income is composed of dividends from stock, whereas tax-deferred income is composed of interest from bonds.
- Tax-exempt income only applies to low-income households, whereas tax-deferred applies to all households.

A:

Tax-exempt income is not taxed, whereas tax-deferred income is taxed at a later date.

Q:

What of the following statements is FALSE?

- A corporation does not have to pay dividends.
- Preferred stockholders receive dividends before common stockholders are entitled to dividends.
- Common stockholders have voting privileges.
- Preferred stockholders are guaranteed to receive what they paid for a stock when they sell it.

A:

Preferred stockholders are guaranteed to receive what they paid for a stock when they sell it.

Q:

When a corporation issues securities, it must provide investors with a \_\_\_\_\_ which is a document that contains information about a company's earning, assets, liabilities, products, management and the stock issuance.

- prospectus
- regulation S
- W-4
- commitment letter

A:

prospectus

Q:

When entering into a contract to buy a house, the buyer must deposit \_\_\_\_\_ money which will be held in an escrow account until the sale is completed. At that time, the money applies toward the down payment.

- valuation
- no-fault
- earnest
- lease

A:

earnest

Q:

When people buy stocks through various stock exchanges such as NYSE, they are participating in the \_\_\_\_\_.

- Primary market
- Secondary market
- Initial market
- Tertiary market

A:

Secondary market  
Tertiary market

Q:

When you apply for a mortgage, lenders will want to know how much money you owe. What other information do they look for?

- Your income, assets, credit history, and savings history.
- Your income, your credit score and your parents' credit score.
- Your income, your grade point average and your driving record.
- Your income, driving record and credit score.

A:

Your income, assets, credit history, and savings history.

Q:

When you buy a \_\_\_\_\_, you are lending money to a corporation or government entity for a period of time.

- common stock
- preferred stock
- stock mutual fund
- bond

A:

bond

Q:

When you receive your checking account bank statement each month, what items might be on it that you do not show in your account register?

- Monthly service charges for the checking account.
- Checks that you have written during the time period that the statement covers
- Direct deposits from your employer
- Direct payments such as your monthly auto-pay cell phone bill

A:

Monthly service charges for the checking account.

Q:

When you rent an apartment, you will probably have to sign a lease. A lease is a . . .

- legal document that defines the conditions of the rental agreement between the tenant and the landlord.
- document which lists rules and restrictions of the property but is not legally binding.
- report of the tenant's credit history.
- report by the local realtor association listing any grievances against the property for the past five years.

A:

legal document that defines the conditions of the rental agreement between the tenant and the landlord.

Q:

Which of the following are considerations when making a decision about a savings account?

- Inflation
- Tax considerations
- Liquidity
- Restrictions and fees

A:

Inflation  
Tax considerations  
Liquidity  
Restrictions and fees

Q:

Which of the following are examples of a secured loan?

- A home mortgage loan
- An automobile loan
- A credit card loan
- A student loan

A:

- A home mortgage loan
- An automobile loan

Q:

Which of the following are sources of personal income?

- Paycheck from a job
- Interest earned on a savings account
- Amount of money that you're eligible to borrow on your credit card
- Amount of money you can borrow on your credit card

A:

- Paycheck from a job
- Interest earned on a savings account

Q:

Which of the following interest rates is a market interest rate targeted by Federal Reserve policy?

- Prime rate
- Conventional rate
- Mortgage rate
- Federal funds rate

A:

Federal funds rate

Q:

Which of the following is a financial asset?

- Savings account
- Real estate property
- Stocks and bonds
- Education fund

A:

Savings account  
Real estate property  
Stocks and bonds  
Education fund



Q:

Which of the following is a function of the Federal Reserve System?

- Supervise and regulate financial institutions
- Print currency and mint coin
- Determine fiscal policy
- Government spending and taxing

A:

Supervise and regulate financial institutions

Q:

Which of the following is a liability?

- Home mortgage
- Credit card balance
- Car loan
- Student loan

A:

Home mortgage  
Credit card balance  
Car loan  
Student loan

Q:

Which of the following is an example of a fixed expense?

- Student loan payments
- Automobile payments
- Gasoline payments
- Expenditures on entertainment, such as movie tickets

A:

- Student loan payments
- Automobile payments

Q:

Which of the following is an example of a variable expense?

- Mortgage payments
- Rent
- Car payments
- Gasoline expenses

A:

- Gasoline expenses

Q:

Which of the following is an example of investment of human capital for a writer?

- Enrollment in grammar class
- Purchase of a computer
- Purchase of a savings bond
- Purchase of a company's stock

A:

Enrollment in grammar class

Q:

Which of the following is not an example of human capital investment?

- A college education
- On-the-job training
- Your oatmeal breakfast
- An up-graded computer at work

A:

An up-graded computer at work

Q:

Which of the following is the interest rate that banks charge one another for loans?

- Discount rate
- Prime rate
- Federal funds rate
- Adjustable rate

A:

Federal funds rate

Q:

Which of the following represent financial goals that are specific and realistic and that establish timeframes?

- I want to be rich.
- I want to save \$2,500 for a down payment for a car by the time I'm 18.
- I want to have \$150 to pay for prom expenses by my senior year.
- I want to have \$5 billion by the time I'm 40.

A:

I want to save \$2,500 for a down payment for a car by the time I'm 18.

I want to have \$150 to pay for prom expenses by my senior year.

Q:

Which of the following statements regarding rent-to-own contracts is not true?

- With this type of contract consumers can get immediate delivery on new furniture, appliances or other items.
- There is no down payment or credit check.
- If the consumer keeps the rental item for a minimum amount of time, there is no penalty charged for returning it.
- The renter can miss up to four payments before they are obligated to return the item to the store.

A:

The renter can miss up to four payments before they are obligated to return the item to the store.

Q:

Which of the following tips to follow when endorsing a check is incorrect?

- Do not endorse a check until you are ready to cash or deposit it.
- If depositing a check by mail, write "For deposit only" on the back above your signature.
- Sign your name in pencil so that if you change your mind about cashing or depositing the check, you can erase your signature.
- Sign your name exactly as it appears on the front of the check.

A:

Sign your name in pencil so that if you change your mind about cashing or depositing the check, you can erase your signature.

Q:

Which of the following types of accounts guarantee a certain rate of return for a specified time period and are insured?

- Stocks
- Mutual funds
- Money market account
- Certificates of deposit (CDs)

A:

Certificates of deposit (CDs)

Q:

Which of the following would be classified as durable goods?

- Shampoo and conditioner
- Peanut butter and jelly
- Washer and dryer
- Pencil and pen

A:

Washer and dryer

Q:

Why should you think twice before agreeing to cosign a loan?

- Cosigning a loan means you are agreeing to be responsible for the entire loan payment.
- Cosigning a loan means you are agreeing to be responsible for half of the total loan payment.
- Cosigning a loan means you are agreeing to be responsible for 25% of the loan payment.
- Cosigning a loan means you are agreeing to be responsible for the down payment on the loan.

A:

Cosigning a loan means you are agreeing to be responsible for the entire loan payment.

Q:

You are applying for a \$5,000 loan from ABC Bank. The banker asks that you list assets you would be willing to offer as collateral.

Which of the following will the banker most certainly reject?

- Your \$5,000 savings account held in ABC Bank.
- Your \$15,000 savings account held in XYZ Bank.
- Your car which you will have paid off in 18 months.
- Your \$10,000 mutual fund account with Barn Smithy Investments.

A:

Your car which you will have paid off in 18 months.

Q:

You must have the following information to compute the Annual Percentage Rate (APR) of a loan.

- The amount of credit you will receive, the length of the loan, the frequency of the payments
- The dollar amount of all of the fees and interest charges associated with the loan
- The length of the loan, the amount of credit you will receive, and the dollar amount of all of the fees and interest charges associated with the loan.
- The frequency of the payments, The amount of credit you will receive, and the length of the loan.

A:

The length of the loan, the amount of credit you will receive, and the dollar amount of all of the fees and interest charges associated with the loan.

Q:

Your credit report contains information on all but one of the following

- The status of your credit card accounts
- The name of your employer
- The names of your creditors
- The number of your dependent children

A:

The number of your dependent children



