***Personal Financial Concepts – Middle Level***

***The written objective test may include questions on financial principles related to personal decision making, earning a living (income/taxes), managing budgets and finance, saving and investing, buying goods and services, banking, credit, and insurance, and consumer math.***

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| 1. b | 1. | The first step of developing a personal financial plan is \_\_\_\_\_\_.   1. Putting away money 2. Determining your current financial situation 3. Finding sources of financial information 4. Understanding risks |
| 2. d | 2. | Getting a college education, buying a car, and starting a business are examples of \_\_\_\_\_\_.   1. Opportunity costs 2. Plans 3. Benefits 4. Goals |
| 3. d | 3. | One of the external factors you should consider before you begin your job search is \_\_\_\_\_.   1. Aptitudes 2. Preferences 3. Likes and dislikes 4. Social influences |
| 4. d | 4. | One of the external factors you should consider before you begin your job search is \_\_\_\_\_.   1. Aptitudes 2. Preferences 3. Likes and dislikes 4. Social influences |
| 5. b | 5. | What is the first step in effective money management?   1. Organizing your personal financial documents. 2. Determine how much money you will have now and in the future 3. Plan and measure your financial progress. 4. Make effective decisions about how to save money. |
| 6. d | 6. | Any items of value that an individual or company owns, including cash, property, personal possessions, and investments, are called \_\_\_\_\_.   1. Direct materials 2. Deductions 3. Exclusions 4. Assets |
| 7. b | 7. | The calculation for determining your net worth is \_\_\_\_\_.   1. Liabilities + equity 2. Assets – liabilities 3. Assets x liabilities   D) Liabilities ÷ assets |
| 8. c | 8. | It would be beneficial to do comparison shopping for which of the following items?   1. Toothbrush 2. DVD 3. Computer 4. Pencils |
| 9. b | 9. | One of the disadvantages of direct selling is \_\_\_\_\_.  A)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif convenience  B) difficulty in returning the purchase  C) 24-hour access  D)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif not having to leave home |
| 10. d | 10. | The calculation for determining unit price is \_\_\_\_\_.   1. unit of measure × 2 2. total price ? sale price 3. total price + unit of measure 4. total price ÷ unit of measure |
| 11. c | 11. | A written guarantee from the manufacturer or distributor that states the conditions under which the product can be returned, replaced, or repaired is called a(n) \_\_\_\_\_\_.   1. Guarantee 2. Policy 3. Warranty   D) Annuity |
| 12. a | 12. | Telephone and mail scams are examples of \_\_\_\_\_.   1. Fraud 2. Remedies 3. Rebates 4. Refunds |
| 13. d | 13. | The first step in resolving a difference between a customer and a business is \_\_\_\_\_.  A)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif suing  B)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif getting angry  C)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif telling others not to shop at that particular store  D)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif returning to the place of purchase |
| 14. b | 14. | The \_\_\_\_\_ deals with legal disputes that involve amounts below a certain limit, which varies from state to state.  A)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif Small Business Administration  B)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif [small claims](http://glencoe.mcgraw-hill.com/sites/0078698006/student_view0/unit1/chapter4/practice_tests.html) court  C)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif Federal Deposit Insurance Corporation  D)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif Federal Reserve System |
| 15. a | 15. | Which government agency sets safety standards for food, drugs, chemicals, cosmetics, and household and medical devices?  A)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif The Food and Drug Administration  B)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif The Consumer Product Safety Commission  C)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif The Better Business Bureau  D)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gif Medicaid |
| 16. d | 16. | Many companies offer \_\_\_\_\_, which is an automatic deposit of net pay to an employee’s designated bank account.   1. Accounts receivable 2. Amortization 3. Gross profit on sales 4. Direct deposit |
| 17. d | 17. | What is money placed in a checking account called?   1. Investment deposit 2. Checking deposit 3. Special deposit 4. Demand deposit |
| 18. c | 18. | A(n) \_\_\_\_\_ is a report that accounts for the differences between a bank statement and a checkbook balance.   1. Certificate of deposit 2. Endorsement 3. Bank reconciliation   D) Money market account |
| 19. a | 19. | \_\_\_\_\_ is an arrangement to receive cash, goods, or services now and pay for them in the future.   1. Credit 2. Creditor 3. Collateral 4. Net income |
| 20. d | 20. | A \_\_\_\_\_ is the maximum amount of money a creditor will allow a credit user to borrow.   1. Grace period 2. Credit rating 3. Bankruptcy 4. Line of credit |
| 21. b | 21. | A finance charge is \_\_\_\_\_.   1. A time period during which no finance charges will be added to your account 2. The total dollar amount you pay to use credit 3. The amount of money that a person borrows 4. A form of security to help guarantee that a creditor will be repaid |
| 22. b | 22. | The calculation for simple interest is \_\_\_\_\_ x interest rate x amount of time.   1. Down payment 2. Principal 3. Month 4. Credit rating |
| 23. c | 23. | A \_\_\_\_\_ is someone who is familiar with the local housing market.   1. Tenant 2. Librarian 3. Real estate agent 4. Homeowner |
| 24. b | 24. | \_\_\_\_\_ is the official document transferring ownership of a home from seller to buyer.   1. Equity 2. Deed 3. Fixed-rate mortgage 4. Lease |
| 25. b | 25. | A lender may ask a buyer to deposit money in a(n) \_\_\_\_\_ for paying property taxes.   1. Home equity loan 2. Escrow account 3. Adjustable-rate mortgage 4. Deed |
| 26. a | 26. | The \_\_\_\_\_ is the amount that the owner asks for the house.   1. Listing price 2. Points 3. Down payment 4. Mortgage |
| 27. b | 27. | Saving money to buy a house in ten years and putting money away for retirement are examples of \_\_\_\_\_.   1. Trade-offs 2. Long-term goals 3. Intermediate goals 4. Opportunity plans |
| 28. c | 28. | A(n) \_\_\_\_\_ is a position in which a person receives training by working with people who are experienced in a particular field.   1. Job 2. Career 3. Internship   D) Mentorship |
| 29. c | 29. | A \_\_\_\_\_ is a person who purchases and uses goods or services.   1. Creditor 2. Company 3. Consumer 4. Credit union |
| 30. b | 30. | Purchasing items on the spur of the moment is called \_\_\_\_\_.   1. consuming   B)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.gifimpulse buying  C) deducting  D)http://glencoe.mcgraw-hill.com/olcweb/styles/shared/spacer.giffraud |
| 31. a | 31. | A debit card allows you to \_\_\_\_\_.   1. Pay for purchases directly from your checking or savings account 2. Protect your checks from thieves 3. Borrow money for a short term 4. Spend more money than you have in your account |
| 32. b | 32. | Profits that a company reinvests are called \_\_\_.  a. dividends  b. retained earnings  c. equity capital  d. common stock |
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| 33. a | 33. | When you pay yourself first, you \_\_\_.  a. put money in savings before paying your bills  b. pay your bills before spending money on personal pleasures  put your money in high-risk investments in order to have more to spend on yourself  d. spend money on personal pleasures before paying your bills |
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| 34. d | 34. | \_\_\_ companies usually reinvest their profits rather than pay dividends.  a. international  b. failing  c. sole proprietorship  d. growth |
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| 35. b | 35. | \_\_\_ is a method of reducing investment risk.  a. speculative investment  b. diversification  c. investment liquidity  d. capital gains |
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| 36. c | 36. | Profit from the sale of assets such as stocks, bonds, or real estate is called \_\_\_.  a. equity capital  b. tax-exempt income  c. capital gain  d. tax-deferred income |
| 37. b | 37. | A company that sells its shares openly instock markets, where anyone can buy them, is a \_\_\_.  a. sole proprietorship  b. public corporation  c. securities exchange  d. private corporation |
| 38. b | 38. | The market condition that occurs when investors are pessimistic about the economy and sell stock is called a \_\_\_.  a. bull market  b. bear market  c. total return  d. security |
| 39. a |  | The market condition that occurs when investors are optimistic about the economy and buy stocks is called a(n) \_\_\_.  a. bull market  b. bear market  c. total return  d. security |
| 40. c | 40. | Most over-the-counter stock is traded through \_\_\_.  a. the NYSE  b. AMEX  c. NASDAQ  d. the Tokyo Exchange |
| 41. a | 41. | The \_\_\_ is the dollar amount that the bondholder will receive at the bond’s maturity.  a. face value  b. yield  c. premium  d. debenture |
| 42. d | 42. | To reach maturity, Treasury Bills take between \_\_\_.  a. 13 to 52 weeks  b. 1 to 10 years  c. 6 months to 30 years  d. 10 to 30 years |
| 43. d | 43. | The \_\_\_ is the rate of return, usually stated as a percentage, earned by an investor who holds a bond for a certain amount of time.  a. face value  b. premium  c. debenture  d. yield |
| 44. b | 44. | One of the main reasons for buying a mutual fund is \_\_\_.  a. safety  b. diversification  c. guaranteed income  d. the government guarantees them |
| 45. d | 45. | \_\_\_ is the money you receive for working, including wages, salary, commission, fees, tips, bonuses, and self-employed earnings.  a. interest income  b. tax liability  c. dividend income  d. earned income |
| 46. c | 46. | A(n) \_\_\_ is a form, such as 1040 or 1040EZ, on which a taxpayer reports how much money he or she received from work and other sources and the exact taxes that are owed.  a. W-2 form  b. extension  c. income tax form  d. dividend form |
| 47. b | 47. | Earnings on a traditional IRA are \_\_\_.  a. tax-exempt  b. tax-deferred  c. an exclusion  d. earned income |
| 48. b | 48. | \_\_\_ is the failure to take ordinary or reasonable care to prevent accidents from happening.  a. liability  b. negligence  c. risk  d. hazard |
| 49. b | 49. | The legal responsibility for the financial cost of another person’s losses or injuries is called \_\_\_.  a. negligence  b. liability  c. coverage  d. insurance |
| 50. b | 50. | Insurance that overages damage to the vehicle of the insured person no matter who is at fault is called \_\_\_\_.  a. uninsured motorist’s protection  b. collision  c. bodily injury liability  d. medical payments |
| 51. a | 51. | If a driver receives several traffic tickets, his or her insurance premiums will probably \_\_\_.  a. increase  b. increase by $10 per year for each ticket received  c. stay the same  d. decrease |
| 52. c | 52. | \_\_\_ is available only to workers who are injured on the job.  a. Medicaid  b. disability income insurance  c. worker’s compensation  d. Medicare |
| 53. b | 53. | A \_\_\_ is a person named to receive the benefits from an insurance policy.  a. rider  b. beneficiary (insurance)  c. waiver  a. double indemnity |
| 54. b | 54. | \_\_\_ are the people who will have the legal right to your assets when you die.  a. attorneys  b. heirs  c. guardians  d. executors |
| 55. b | 55. | An executor is a person who is willing and able to perform the tasks involved in carrying out a \_\_\_.  a. living will  b. will  c. trust  d. codicil |
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| 56. d | 56. | In a \_\_\_ a person expresses whether he or she wants to be kept alive by artificial means if terminally ill.  a. will  b. codicil  c. trust  d. living will |
| 57. c | 57. | A \_\_\_ is a legal document that authorizes someone to act on your behalf.  a. will  b. living will  c. power of attorney  d. letter of last instruction |