

Chapter 3: Assessment Answer Keys

**Please note that assessment questions are randomized in our FoundationsDigital platform for each student. Therefore, the order these questions will appear for each student will vary.*

Chapter 3 Pre/Post-test

1. Expenses that remain the same from month to month.
 - Variable
 - Fixed
2. Non-essential expenses.
 - Discretionary
 - Intermittent
3. Having more than one bank account is never a good idea since it can complicate money management.
 - True
 - False
4. The zero-based budget is the best method of budgeting because:
 - This type of budget is less complicated than other types of budgets
 - A zero-based budget allows less money for wants
 - Sticking to a zero-based budget requires less discipline
 - The zero-based budget ensures that every dollar you make is assigned a specific purpose
5. "Pay yourself first" means you should assign a portion of your income to saving and investing every month.
 - True
 - False

6. Groceries are a:

- Fixed expense
- Variable expense
- Discretionary expense
- Intermittent expense

7. If you write a zero-based budget every month, it is not necessary to reconcile your account.

- True
- False

8. Which of the following is something that a typical millionaire would do?

- Lease a new car
- Spend less money than he or she makes
- Replace things that are not broken
- Carry debt

9. Online bill pay allows you to make payments to whomever you wish without having to write a check and send it in the mail.

- True
- False

10. Which of the following account records would have the most current balance?

- Account balance statement from the ATM
- Your own account register
- Your monthly bank statement
- All of these records will have accurate account balances

11. The following are guidelines for budgeting with an irregular income except:

- Prioritize the list in order of importance.
- Make a list of all of your expenses for the month ahead.
- Budgeting with an irregular income is no different than budgeting with a regular income.
- When your check comes in, spend your money all the way down the list.

12. Car repairs are a:

- Fixed expense
- Variable expense
- Discretionary expense
- Intermittent expense

13. To match your bank statement with your checkbook.

- Cash flow plan
- Reconcile

14. Budgeting is crucial to your financial success.

- True
- False

15. A written cash flow plan.

- Budget
- Personal finance

16. Percentage of Americans living paycheck to paycheck:

- 70%
- 25%
- 50%
- 40%

17. The number-one cause of divorce in North America today is stress and disagreements over money.

- True
- False

18. Which of the following statements is false?

- A cash flow statement summarizes all of the income and outgo (spending) over a certain time period.
- A budget is a written plan for saving and spending.
- A budget is meant to summarize the saving and spending that has taken place over the past year.
- The cash flow statement is reflective of what has already taken place.

19. Your monthly budget should include:

- Variable expenses
- Discretionary expenses
- Fixed expenses
- All of the above

20. Eating out is a:

- Fixed expense
- Variable expense
- Discretionary expense
- Intermittent expense

21. Series of envelopes that are divided into categories and are used to store cash for planned monthly expenses.

- Envelope system
- Check carbon

22. Writing and following a zero-based budget will help you avoid overspending and impulse purchases.

- True
- False

23. Setting up automatic account transfers is the easiest way to build your savings for your emergency fund or large purchases.

- True
- False

24. Doing a budget does not:

- Show if you are overspending in an area
- Make overspending more likely
- Remove guilt and shame sometimes associated with a purchase
- Make your money go further

25. An item that is bought without previous planning or consideration of the long-term effects.

- Sale item
- Impulse purchase

26. Your own record of all your transactions.

- Check register
- Account statement

27. The envelope system works great for managing spending on things that don't normally have a fixed monthly expense.

- True
- False

28. Which of the following is not a record-keeping feature you could expect from your bank?

- A reconciliation sheet
- Customer service reconciles your account for you
- An account register
- A monthly account statement

29. A written budget, if followed, removes _____ from your finances.

- Overspending
- Guilt
- Management by crisis
- All of the above

30. Rent is a:

- Fixed expense
- Variable expense
- Discretionary expense
- Intermittent expense

31. A cash flow plan that assigns an expense to every dollar of your income, wherein the total income minus the total expenses equals zero.

- Zero-spending plan
- Zero-based budget

32. A debit card cannot be used for online purchases.

- True
- False

33. A summary of all the income and outgo over a certain time period.

- Cash flow statement
- Budget

34. Which of the following is a consequence of overdrawing your checking account?

- Bounced check fee from the store
- Stress from money mismanagement
- Overdraft fee from your bank
- All of the above

35. Occurs when money is withdrawn from a bank account and the available balance goes below zero.

- Overdraft
- Reconcile

Chapter 3, Section 1 (Video 1:1a) Quiz “Cash Flow Planning, Part 1”

1. Money is _____; it is moving all the time.
 - Active
 - Elusive
 - Scary
 - Exciting
2. Stephen Covey said, "Highly effective people are proactive. They happen to things."
 - True
 - False
3. Zig Zigler used to say, "When you aim at _____, you'll hit every time."
 - The moon
 - The stars
 - Nothing
 - Your future
4. A budget is wondering where your money went instead of telling it what to do.
 - True
 - False

Chapter 3, Section 1 (Video 1:2a) Quiz “Four Reasons People Avoid Doing Budgets”

1. Sacrificing to win is abuse.
 - True
 - False
2. Another reason people avoid budgets is because they never had one that works.
 - True
 - False
3. The first reason people avoid budgets is because it has a straight-jacket connotation. They think they can't do anything if they're on a budget.
 - True
 - False
4. Sometimes you have to tell yourself _____ so later you can tell yourself _____ .
 - Yes; No
 - Maybe; Sometimes
 - Okay; Dream On
 - No; Yes

Chapter 3, Section 2 (Video 2:1a) Quiz “Responsible Banking”

1. It's the bank's fault when you overdraft your account because they should know how much you have in your account.
 - True
 - False
2. Overdrafting your account is a result of sloppy, lazy money habits.
 - True
 - False
3. Your first checking account should be opened between:
 - 13-15
 - 10-12
 - 15-18
 - 18-21

Chapter 3, Section 2 (Video 2:1b) Quiz “Checking Accounts”

1. If not managed, the ATM card and debit card have the ability to be budget busters.
 - True
 - False
2. The average _____ can't tell you what's happening on the average TV show.
 - Joe
 - Millionaire
 - Man on the street
 - Thousandaire
3. Banks charged _____ in fees to the American public.
 - \$10.3 billion
 - \$1.9 million
 - \$80 million
 - \$5.8 billion

Chapter 3, Section 3 (Video 3:1a) Quiz “Cash Flow Plans Do Not Work When...”

1. To have a budget that works, you need to make sure you're using it to live.

- True
- False

2. Once you write your budget, it's impossible to change it.

- True
- False

3. Cash flow plans do not work when _____.

- You leave things out
- You just need one more thing
- You're having a baby
- You're buying a car

4. A budget won't work if you _____.

- Have an irregular income
- Make less than \$20,000 a year
- Make more than \$500,000 a year
- Don't do it

5. Your budget is too complicated if you're up to 66 pages long.

- True
- False

Chapter 3, Section 3 (Video 3:1b) Quiz “Reasons You Should Do A Cash Flow Plan”

1. Making a plan with your money will remove much of the guilt, shame and fear because you know you have enough.
 - True
 - False
2. Crisis budgeting means drawing a line when the money runs out and knowing that anyone below the line won't get paid.
 - True
 - False
3. Managed money _____.
 - Is an impossibility
 - Works harder
 - Only works for some people
 - Doesn't work as well

Chapter 3, Section 3 (Video 3:2a) Quiz “A Zero-Based Budget”

1. The zero-based budget is making sure that _____ dollar has a _____ , _____ , on purpose, _____ the month begins.
 - Almost every; purpose; in your head; before
 - Every; name; on paper; before
 - Most; location; in your head; after
 - Some; name; on paper; after
2. When you're using the envelope system, it's important that you _____ .
 - Only use the right category envelope
 - Only use cash, the envelope doesn't matter
 - Keep replacing the money, even if you run out before the month ends
 - Have under \$100 in each envelope
3. The envelope system is really difficult to manage.
 - True
 - False

Chapter 3, Section 3 (Video 3:2b) Quiz “Checking and Savings Accounts”

1. All checking accounts are free.

- True
- False

2. Some ATMs charge fees for withdrawals.

- True
- False

3. A car breaking down is an unexpected expense, so you can't budget for it.

- True
- False