



Competency-Based  
Competitive Events  
\*Written Exam\*  
for State/Province Use

Test Number 1238  
Booklet Number \_\_\_\_\_

# Personal Financial Literacy Exam

PFL – Personal Financial Literacy Event

**INSTRUCTIONS:** This is a timed, comprehensive exam for the occupational area identified above. Do not open this booklet until instructed to do so by the testing monitor. You will have \_\_\_\_\_ minutes to complete all questions.

**CAUTION: Posting these materials on a website is a copyright violation.**

This comprehensive exam was developed by MBA Research exclusively for DECA's 2020-2021 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. A descriptive test key, including question sources and answer rationale, has been provided to the DECA chartered association advisor.



Copyright © 2021 by Marketing & Business Administration Research and Curriculum Center®, Columbus, Ohio (dba MBA Research). Each individual test item contained herein is the exclusive property of MBA Research. Items are licensed to DECA only for use as configured within this exam, in its entirety. Use of individual items for any purpose other than as specifically authorized is prohibited. **Possession of this exam, without written authorization, under any other circumstances is a copyright violation.** Posting to inter- or intranet sites is specifically forbidden unless written permission is obtained prior to posting. Report violations to DECA at 703.860.5000 and MBA Research at 800.448.0398. Permission for reprinting is granted to DECA chartered associations authorized by DECA Inc.

DECA Inc. will impose sanctions on chapters and chartered associations for violations of this policy up to and including disqualification of competitors and chapters from further participation.

1. What type of contracts may be legally binding even though the terms of the contract differ from state statutory and common law?
  - A. Contracts prepared by lawyers
  - B. Contracts that have three witnesses
  - C. Contracts that are notarized
  - D. Contracts made by private law
2. Which of the following is a characteristic of debtor-creditor relationships:
  - A. Designed to monitor accounts
  - B. Controlled by industry standards
  - C. Intended to increase competition
  - D. Regulated by various laws
3. For insider trading to be illegal, the information used to make a profit must be material and
  - A. nonpublic.
  - B. shared by the CEO.
  - C. shared by at least three people.
  - D. public.
4. Frank is a mortgage broker who purposely targets people who have low credit and who are unemployed, knowing they will likely struggle to make payments. This practice is known as
  - A. a Ponzi scheme.
  - B. predatory lending.
  - C. affinity group fraud.
  - D. pump and dump.
5. Which of the following scenarios best illustrates a finance professional's commitment to customer service:
  - A. Patricia wears a business suit every day, including casual Fridays.
  - B. Ann strives to solve customer problems promptly and accurately.
  - C. Jake takes a cell phone call while meeting with a customer.
  - D. Gennifer uses technical jargon when speaking with customers.
6. Which of the following statements regarding economic resources is true:
  - A. Human desires are limitless, while economic resources are limited.
  - B. Economic resources as well as human desires are limitless.
  - C. Oil, coal, and natural gas are all examples of renewable resources.
  - D. Human resources are found in nature and are used to produce goods.
7. Saving the money that you might ordinarily spend each day on a cup of coffee and a doughnut
  - A. can help you achieve larger financial goals.
  - B. will not result in significant savings.
  - C. is the sacrifice you must make for future financial security.
  - D. is not a practical step in reaching your financial goals.
8. Long-term inflation is ultimately caused by significant, persistent increases in
  - A. consumer purchasing power.
  - B. aggregate market supply.
  - C. the money supply.
  - D. diminishing returns.
9. During a negotiation, each party decides to give up something to reach an agreement. This is often called a
  - A. dispute.
  - B. binding contract.
  - C. compromise.
  - D. lose-lose situation.
10. Which of the following statements is true about business startup requirements:
  - A. The financial needs to start a new business depend on the nature of the venture.
  - B. New business owners usually need to register for patent protection.
  - C. Purchasing a franchise is usually easy and inexpensive for startup business owners.
  - D. Equipment is the least expensive requirement for a startup business.
11. Regan is deciding if she is willing to give up a secure position with a well-known company so she can start a home-based business. Which of the following risks is Regan assessing:
  - A. Financial
  - B. Social
  - C. Physical
  - D. Career

12. When using a debit card to pay for goods and services, the funds are electronically transferred from a(n)  
A. interest or savings account. C. checking or credit account.  
B. expense or interest account. D. savings or checking account.
13. Which of the following is a risk of using a debit card but not a risk of using a credit card:  
A. Interest and fees C. Overdrawing your account  
B. Compromised account information D. Going into debt
14. What form of currency is issued by the federal government?  
A. Brokerage bills C. Corporate bonds  
B. Paper money D. Certified notes
15. Kari is a realtor who earns a set percent of each sale made as payment for her services. Which form of earned income is Kari receiving?  
A. Tips C. Salary  
B. Wages D. Commission
16. By understanding the time value of money concept, you know that  
A. it is better to receive \$100 today than \$101 a year from now.  
B. it is better to receive \$101 a year from now than \$100 today.  
C. saving money can buy time on debt payment.  
D. time and money are related by due date.
17. One of the reasons that businesses and consumers use credit is because it provides  
A. convenience. C. interest.  
B. reassurance. D. collateral.
18. Which of the following types of credit requires a down payment:  
A. Credit card C. Installment credit  
B. Open account credit D. Revolving credit
19. Bryant recently applied for a personal loan from the Maryville Community Credit Union, but his application was rejected. Bryant has a friend who works at the credit union, so he asked her what went wrong with his application. She told Bryant that the credit union's manager is prejudiced and rarely accepts applications from individuals of Bryant's religion. The credit union violated Bryant's right to  
A. a guaranteed credit line. C. proper notice of rejection.  
B. equal credit opportunity. D. practice his religion.
20. A formal legal agreement between a lender and a borrower usually includes a  
A. guarantee of eminent domain. C. proposal for disbursement.  
B. tax code listing. D. repayment schedule.
21. Molly and Tim have just had their first baby, Tommy. On top of their other financial considerations, such as saving for their retirement, they will now have to start saving and investing for Tommy's  
A. college education. C. life insurance.  
B. retirement. D. health insurance.
22. Economics involves decision-making because most individuals must determine  
A. which capital goods to buy for their use. C. the cost of their noneconomic wants.  
B. what occupation appeals to them. D. how to get the most with the least.
23. A good way to prioritize your financial goals is to  
A. recognize that all the goals are equally important.  
B. rank goals according to what needs to be done first.  
C. rank every goal in numerical order.  
D. assign each goal to a general category.

24. If you want to save enough money to buy a new phone, which of the following options can best help you work toward achieving that goal:
- A. Dip into your emergency fund.
  - B. Borrow money from a family member or friend.
  - C. Open a credit card account.
  - D. Plan how much you'll need to set aside each month.
25. Shiori has just started her first full-time job as a customer service representative and is earning \$2,500 each month. She is working on a list of financial goals. Which of the following is an example of a realistic long-term financial goal for Shiori:
- A. Save \$200 each month for a \$1,000 down payment on a used car
  - B. Save \$150 every month to help buy a house in five years
  - C. Earmark \$50 each week to use for utility expenses
  - D. Save \$3,000 every month for a retirement fund
26. Timothy is taking a personal finance class at school. For homework one day, he is instructed to set a short-term financial goal for himself. Which of the following would be most relevant as a short-term goal for a high school student like Timothy:
- A. Put \$10,000 into a college savings account
  - B. Save \$50 for Christmas presents for his family
  - C. Plan to become a senior-level executive by age 30
  - D. Set \$5,000 aside per year for retirement
27. On his way home from work, Jason stops at the gas station to buy a magazine and a pack of gum. The magazine and gum are examples of \_\_\_\_\_ expenses.
- A. fixed
  - B. essential
  - C. nonessential
  - D. variable
28. Sasha's personal budget contains two broad categories for her expenses. She should put her mortgage, her car insurance payment, and her utilities in the \_\_\_\_\_ expenses category.
- A. variable
  - B. fixed
  - C. net
  - D. gross
29. The first step in setting up a budget is to
- A. maintain a spending log.
  - B. cut fixed expenses.
  - C. add up your income.
  - D. invest in retirement.
30. If you are having trouble sticking to your budget, you should
- A. only spend money on basic living expenses.
  - B. use a mobile app that tracks purchases.
  - C. pay in cash as frequently as possible.
  - D. keep your budget to yourself.
31. Alyssa wants to save enough money for an emergency fund. She hopes that the fund will help her cover unexpected costs in the event of tragedy or disaster. In this situation, Alyssa should
- A. put aside money in a traditional bank account, such as a savings account.
  - B. invest her money in the stock market by buying assets that might increase in value.
  - C. purchase high-risk stocks that have the potential for great rewards.
  - D. put all her money into a 401(k) and other retirement savings accounts.
32. An individual with a high personal net worth may be more comfortable buying an expensive car than an individual with a low personal net worth, because high net worth means that a person has
- A. more debt.
  - B. a larger salary.
  - C. less debt.
  - D. a smaller salary.
33. Which of the following is an example of a tax liability:
- A. Deduction for a charitable contribution
  - B. Amount due on an inheritance
  - C. Interest paid on a mortgage
  - D. Value of an exemption

34. Ian found a new TV online for \$400, and after three months of saving, he has the money ready. However, while purchasing the TV, he is surprised that the total amount is actually \$430. The total amount due is higher than the price of the TV because of \_\_\_\_\_ taxes.
- A. tariff
  - B. excise
  - C. income
  - D. sales
35. On a pay stub, the total amount of money that a worker has earned for the pay period before deductions is listed as
- A. gross pay.
  - B. net pay.
  - C. tax-exempt income.
  - D. overtime income earned.
36. When writing a check for \$45.75, what is the correct way to write out the numerical dollar amount on the check?
- A. "Forty-five dollars and 75/100"
  - B. "Forty-five dollars and seventy-five"
  - C. "Forty-five dollars and three quarters"
  - D. "Forty-five dollars and 75/00"
37. Rather than receiving his pay in the form of a check, Andre's biweekly income is credited to his account electronically. Which of the following transaction codes should Andre use when entering his pay in his checkbook register:
- A. DC
  - B. DEP
  - C. ATM
  - D. T
38. Matt is balancing his checkbook for the first time. He compares the checks he has written over the last month with those listed on his statement and finds that all of his checks have cleared. Next, he verifies whether his latest paycheck, which he deposited the previous day, is on the list. It is not, so he adds it to his statement balance. After this, he should
- A. call the bank for a new statement.
  - B. subtract any interest.
  - C. subtract fees and charges.
  - D. consider everything done.
39. Which of the following would be most useful to Gina when she wants to review her financial deposits, withdrawals, and transfers:
- A. Bank statement
  - B. Bank overdraft
  - C. Financial protection
  - D. Financial transaction
40. As Tom uses his credit card to make purchases in a responsible manner, he should remember that credit is a(n)
- A. privilege.
  - B. loan.
  - C. asset.
  - D. tax.
41. What is the best way for a college student with a credit card charging 2.5% annual interest to establish a good credit history and avoid paying additional interest?
- A. Use the credit card to pay large tuition bills and make the minimum monthly payments
  - B. Use the credit card to pay for routine expenses and pay the balance in full each month
  - C. Transfer a student loan that will charge 4% interest upon graduation to the credit card
  - D. Use the credit card for all purchases and pay the minimum payment each month
42. Eric wants to buy a new house, and to do so, he needs good credit. He has made all his rent, car, and credit card payments on time, so he should have a good credit score. Before he goes to purchase the house, he checks his credit report and finds that he has a low credit score because one of the agencies mishandled his report. This example shows the importance of
- A. good credit.
  - B. buying a house.
  - C. paying rent on time.
  - D. validating credit history.
43. What is the purpose of using diversification strategies?
- A. To reduce risk
  - B. To decrease equity
  - C. To control debt
  - D. To manage price

44. While preparing her annual income tax return, Kate determined that she had her employer withhold more tax than necessary. As a result, Kate is eligible for a government
- A. refund.
  - B. deduction.
  - C. due bill.
  - D. reference.
45. Juliet and Tony send their young son to a day care center. Instead of writing a check each month to pay the center, they signed a form allowing the center to automatically take the money from their checking account at the bank each month. This type of bill paying is called
- A. endorsement.
  - B. online bill pay.
  - C. manual bill pay.
  - D. direct withdrawal.
46. Andrew bought an expensive, new TV using a credit card he opened last year. He figured that he could afford the TV if he used credit instead of cash. After several months of making the minimum payment on his card, Andrew realizes that his balance is getting higher instead of lower. He checks the status of his credit line and realizes that his monthly payments have been going toward interest and fees—not to his TV purchase! Before he bought the TV using credit, Andrew should have
- A. opened a new credit account to minimize his responsibility.
  - B. considered how interest increases the cost of credit.
  - C. looked for another job to pay for his expensive purchase.
  - D. taken money out of his savings account to pay for the TV.
47. When Jasmine got her credit card bill, she was surprised to see that she was charged an extremely high annual fee. Jasmine could have avoided this situation by
- A. opening multiple credit card accounts.
  - B. closely reading the terms and conditions.
  - C. paying her credit card bill on time.
  - D. applying for a lower interest rate.
48. If you want to buy a specific car model, which of the following is the most reliable source of information about the car's quality and performance:
- A. The car manufacturer
  - B. A friend who owns the same car
  - C. A car dealership
  - D. Consumer reports
49. Which of the following is an advantage of buying versus renting a home:
- A. No need to worry about property tax
  - B. Fewer upfront costs and less paperwork
  - C. Responsibility for maintenance and repairs
  - D. Potential to build equity and credit
50. Preparing wills and setting up guardianships are types of financial services that often are provided by
- A. executors.
  - B. attorneys.
  - C. courts.
  - D. beneficiaries.
51. Mark has decided to hire a financial planner to help him plan his long-term financial goals. Which of the following should he do to ensure he finds someone he can trust:
- A. Contact his bank
  - B. Search online
  - C. Interview potential candidates
  - D. Obtain referrals from close friends
52. Ricardo is interested in investing in a mutual fund that offers moderate growth, low risk, and diversified options. Where can Ricardo find this information?
- A. A fund prospectus
  - B. Statements of retained earnings
  - C. Stock tickers
  - D. The shareholders' meeting
53. In which financial statement would you expect to find information about assets and liabilities?
- A. The cash flow statement
  - B. The income statement
  - C. The balance sheet
  - D. The notes to the statements

54. What does diversification by cap size help investors to do?
- A. Avoid buying too many investments in one category
  - B. Update their investment portfolios
  - C. Protect their investments from a negative event
  - D. Spread out the growth rates of their investments
55. One of the best ways to protect yourself against identity theft is to
- A. monitor your credit and bank accounts continuously.
  - B. pay your bills online.
  - C. use the same password for all online financial accounts.
  - D. pay for your purchases with debit cards.
56. Individuals who are nearing retirement often invest funds for the purpose of
- A. diversifying assets.
  - B. generating a fixed income.
  - C. taking a financial risk.
  - D. eliminating liabilities.
57. Before Alana can review the performance of her stock in the newspaper's securities table, she must locate the company's abbreviated name in the table, which is followed by the
- A. yield code.
  - B. trademark.
  - C. ticker symbol.
  - D. trade number.
58. Which of the following is an advantage of a money market account over a savings account:
- A. The rate of return is significantly better.
  - B. Money market accounts provide corporate ownership rights.
  - C. You can often write checks from a money market account.
  - D. Money market accounts are insured by the FDIC.
59. Which of the following is an investment goal you might establish if you have entrepreneurial skills:
- A. To buy a house
  - B. To ask for a raise
  - C. To start a business
  - D. To save for retirement
60. Allen wants to start saving for retirement. If he plans and invests well, which of the following is the most likely source of income Allen can expect to receive when he is retired:
- A. Tips
  - B. Salary
  - C. Bonuses
  - D. Dividends
61. A class of financial ratios that measures the ability of a company to turn assets into cash and to pay its bills is called
- A. liquidity ratios.
  - B. asset management ratios.
  - C. debt ratios.
  - D. profitability ratios.
62. When selecting an investment, a chart is most helpful in comparing
- A. management's performance.
  - B. quantitative factors.
  - C. the effect of competition.
  - D. growth strategies.
63. A business buys insurance on property that is valued at \$390,000. What is the monthly premium if the rate is \$48 for each \$30,000 worth of property?
- A. \$612
  - B. \$598
  - C. \$624
  - D. \$576
64. Who bears the financial burden of paying unemployment taxes (FUTA) to the federal government?
- A. Employers
  - B. Workers
  - C. Managers
  - D. Facilitators

65. You've just won the lottery! You have to choose between receiving \$10,000 today or \$50,000 in 20 years. Using a present value table, you find that the present value of \$1 received 20 years from now with an interest rate of 10% is \$.149. What is the present value of the \$50,000?
- A. Less than \$10,000
  - B. More than \$10,000
  - C. Exactly equal to \$10,000
  - D. Approximately \$10,000, depending on the form of the payments
66. Two years ago, Tommy borrowed \$12,500 from his bank to purchase a new vehicle. Unfortunately, he lost his job about a year ago, and he hasn't been able to make a payment on the loan for six months. As a result, the bank is taking steps to seize his automobile. This is called a
- A. debt consolidation.
  - B. foreclosure.
  - C. forbearance.
  - D. repossession.
67. Rahul and Samantha worked with their attorney to create a will just after they got married. Now, two years later, they have a new baby daughter. Which of the following will need to be added to their will:
- A. A power of attorney
  - B. An executor
  - C. A probate court judge
  - D. A guardian
68. Why is estate planning important?
- A. Maximizes the amount of money that goes to foundations
  - B. Ensures that your assets are divided the way you want them to be
  - C. Encourages you to develop financial goals
  - D. Keeps your assets from going through probate court
69. Sherry is self-employed as a cake decorator. In which of the following situations will liability insurance provide reimbursement:
- A. A large order of cupcakes gets destroyed when Sherry's pet kittens jump on the counter.
  - B. Sherry cuts her hand while cutting apart frozen cake tiers and needs medical care.
  - C. When Sherry is making a delivery, she hits a lamppost and damages her vehicle.
  - D. A client makes Sherry pay for an antique table that was damaged by a large cake display.
70. Lower APR means \_\_\_\_\_ monthly payments.
- A. higher
  - B. lower
  - C. stable
  - D. fluctuating
71. Why should you carefully evaluate job benefits like paid leave or health insurance when comparing job offers from two different employers?
- A. Everyone experiences illness.
  - B. Health insurance is expensive.
  - C. Health insurance is required by law.
  - D. Job benefits impact your income.
72. Deena is researching investment options. How can she best evaluate the authority of a source of information?
- A. Check to see if facts and statistics are cited
  - B. See when the source was published
  - C. Look into the author's credentials
  - D. Look for potential signs of bias
73. The major reason people fail to reach their goals is that they
- A. have a positive attitude.
  - B. give up too soon.
  - C. are too enthusiastic.
  - D. want the goal sincerely.
74. Which of the following steps in the decision-making process involves determining the consequences of taking different actions:
- A. Identifying resources
  - B. Evaluating information
  - C. Collecting data
  - D. Stating the problem



75. Which of the following is a source of career information that is available in most schools:
- A. Industry recruiter
  - B. Admissions director
  - C. Guidance counselor
  - D. Curriculum planner
76. To help make tentative career decisions, you should know the educational and training requirements as well as
- A. the salary level to expect.
  - B. your major strengths, aptitudes, and interests.
  - C. the level of computer literacy and skills required.
  - D. employment opportunities that will be available in the next decade.
77. Angelo calculates the risk of loss, establishes premium rates, and designs policies for his company. His career is in the area of
- A. corporate finance.
  - B. accounting.
  - C. securities and investments.
  - D. insurance.
78. What is often the first step in conducting a job search?
- A. Identifying leads
  - B. Completing applications
  - C. Contacting employers
  - D. Scheduling interviews
79. Which of the following is an appropriate response to the question on an employment application that asks the reason for leaving a previous job:
- A. Problems with management
  - B. Never received a promotion
  - C. Demanding employer
  - D. Accepted another position
80. After preparing the final draft of a letter of application, the job applicant should \_\_\_\_\_ the letter.
- A. mail
  - B. deliver
  - C. revise
  - D. proofread
81. The main purpose of a job résumé is to
- A. describe your personal interests.
  - B. request a job interview.
  - C. provide a list of references.
  - D. present your job qualifications.
82. The purpose of loan products is to provide
- A. collateral.
  - B. financing.
  - C. income.
  - D. interest.
83. Which of the following types of auto insurance coverage would protect the owner against damage from fire or theft:
- A. Personal injury
  - B. Collision
  - C. Comprehensive
  - D. Liability
84. Jayla's apartment is broken into, and some of her property is stolen. Her renter's insurance will cover the
- A. rent payments for the following month.
  - B. original costs for all items stolen.
  - C. amount specified on her policy.
  - D. replacement costs for all items stolen.
85. In addition to leaving their personal wealth to their heirs, many individuals involved in estate planning also designate remaining funds for \_\_\_\_\_ of their choice.
- A. tax payments
  - B. grandchildren's tuition
  - C. charities
  - D. personal debts
86. Who is likely to need a large amount of life insurance coverage?
- A. A father with four young children
  - B. A young college graduate
  - C. A retired individual with grown children
  - D. A high school student

87. Keiko required knee surgery when she was injured in a soccer game. She is unable to work for the next three months. What type of insurance is most likely to help cover her living expenses while she is recovering?
- A. Homeowner's insurance
  - B. Long-term disability insurance
  - C. Short-term disability insurance
  - D. Mortgage insurance
88. Which of the following provides financial compensation to meet living expenses if a worker is injured on the job:
- A. Workers' compensation
  - B. Life insurance
  - C. Health insurance
  - D. Retirement plan
89. What is a factor that many businesses consider when promoting employees?
- A. Arbitration
  - B. Compensation
  - C. Favoritism
  - D. Seniority
90. Brokerage firms sometimes have close relationships with companies, influencing their "research" and recommendations. This represents a
- A. valid reason for paying higher broker fees.
  - B. good opportunity for inside information.
  - C. conflict of interest.
  - D. broker who is well connected.
91. What type of order restriction lets a broker know the order will be canceled if not filled immediately?
- A. Good 'til canceled
  - B. All or none
  - C. Day order
  - D. Fill or kill
92. Leena wants to start investing, but she does not know much about the stock market, nor does she have time to closely follow her portfolio. Leena should invest in
- A. mutual funds.
  - B. a savings account.
  - C. insurance.
  - D. growth stocks.
93. Which of the following is a true statement about stockholders:
- A. They have decision-making power.
  - B. They have liability for corporations.
  - C. They can take any assets from the company.
  - D. They have management power.
94. Which of the following is an advantage of a coupon-paying bond for investors:
- A. Its face value increases over time.
  - B. It provides coupons to buy additional bonds at a discount.
  - C. It provides interest payments until the bond matures.
  - D. Its market price is always the same as its face value.
95. Which of the following might a business experience if it failed to provide adequate consumer protection:
- A. Personal injury
  - B. Property damage
  - C. Physical harm
  - D. Financial loss
96. Recently, Joseph signed a lease for a new car. Unfortunately, Joseph was involved in an automobile accident, and the car was totaled. Because Joseph's insurance company paid out less than the payoff amount of the lease, Joseph still owes the leasing company several thousand dollars for the car. What type of insurance would have covered Joseph from this type of loss?
- A. Comprehensive
  - B. Adaptable
  - C. Gap
  - D. Uninsured motorist
97. In addition to basic homeowner's insurance coverage, insurance agents whose clients live in flood or earthquake zones might suggest that they purchase
- A. optional perils endorsements.
  - B. rental unit coverage.
  - C. limited-term riders.
  - D. assisted living coverage.

98. Joelle and her husband have agreed that she will receive the proceeds of his life insurance policy when he dies. Joelle is her husband's
- A. dividend.
  - B. underwriter.
  - C. annuity.
  - D. beneficiary.
99. Jane is considering whether or not to hire Mateo to be her financial advisor. Which of the following is the best question for Jane to ask to help her negotiate a lower fee from Mateo:
- A. "Why do I have to pay fees?"
  - B. "What is the lowest price you can give me?"
  - C. "What prices do your competitors offer?"
  - D. "What can you offer that no one else can?"
100. The part of the business plan that discusses where funding for specific projects will come from is called the
- A. strategy and implementation.
  - B. financial plan.
  - C. management plan.
  - D. market analysis.



**KEY**

Test Number 1238

# Personal Financial Literacy Exam

PFL – Personal Financial Literacy Event

**CAUTION: Posting these materials on a website is a copyright violation.**

This comprehensive exam was developed by MBA Research exclusively for DECA's 2020-2021 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. A descriptive test key, including question sources and answer rationale, has been provided to the DECA chartered association advisor.



Copyright © 2021 by Marketing & Business Administration Research and Curriculum Center®, Columbus, Ohio (dba MBA Research). Each individual test item contained herein is the exclusive property of MBA Research. Items are licensed to DECA only for use as configured within this exam, in its entirety. Use of individual items for any purpose other than as specifically authorized is prohibited. **Possession of this exam, without written authorization, under any other circumstances is a copyright violation.** Posting to inter- or intranet sites is specifically forbidden unless written permission is obtained prior to posting. Report violations to DECA at 703.860.5000 and MBA Research at 800.448.0398. Permission for reprinting is granted to DECA chartered associations authorized by DECA Inc.

DECA Inc. will impose sanctions on chapters and chartered associations for violations of this policy up to and including disqualification of competitors and chapters from further participation.

1. D

Contracts made by private law. Contracts made by private law may be legally binding even though the terms of the contract differ from state statutory and common law. Private law principally includes the terms of the agreement between the parties who are exchanging promises to do something in return for receiving something. This private law may override many of the rules otherwise established by state law. Even a simple agreement between two people can constitute a contract made by private law. Contracts do not need to be notarized, witnessed, or prepared by lawyers to be legally binding.

SOURCE: BL:002

SOURCE: FD

SOURCE: Legal Information Institute, Cornell Law School. (2019, July). *Contract*. Retrieved October 27, 2020, from <https://www.law.cornell.edu/wex/contract>

2. D

Regulated by various laws. There are several laws that regulate the use of credit. These laws are intended to guarantee that credit is managed fairly. The laws tend to improve the debtor-creditor relationship because there are rules in place that apply to both parties. Debtor-creditor relationships are not controlled by industry standards, intended to increase competition, or designed to monitor accounts.

SOURCE: BL:071

SOURCE: CD

SOURCE: Legal Information Institute, Cornell University Law School. (n.d.). *Debtor and creditor*. Retrieved October 27, 2020, from [https://www.law.cornell.edu/wex/debtor\\_and\\_creditor](https://www.law.cornell.edu/wex/debtor_and_creditor)

3. A

Nonpublic. Some insider trading is legal. In order for insider trading to be illegal, the information used to make a profit must be material and nonpublic. The information does not have to be shared by the CEO or by at least three people.

SOURCE: BL:104

SOURCE: IN

SOURCE: Ganti, A. (2020, May 8). *Insider trading*. Retrieved October 27, 2020, from <http://www.investopedia.com/terms/i/insidertrading.asp>

4. B

Predatory lending. Predatory lending includes a variety of home mortgage lending practices that impose unfair terms on a borrower. Predatory lenders target people who otherwise would likely not qualify for loans, such as those with low credit and those who are unemployed. A Ponzi scheme occurs when high rates of return are paid to initial investors out of funds from later investors who lose all of their money. Affinity group fraud occurs when scam artists use people's religious or cultural identity to gain their trust. Pump and dump involves artificially inflating the price of a stock through false and misleading statements.

SOURCE: BL:133

SOURCE: IN

SOURCE: Fay, B. (2017, September 21). *What is predatory lending?* Retrieved October 27, 2020, from <https://www.debt.org/credit/predatory-lending/>

5. B

Ann strives to solve customer problems promptly and accurately. To meet or exceed customer expectations, finance professionals should respond promptly to customer needs, requests, and problems. While wearing a business suit every day can help to demonstrate a finance professional's commitment to her/his job, doing so doesn't necessarily demonstrate the person's commitment to customer service. Finance professionals should not take cell phone calls while meeting with customers, nor should they use technical jargon. Instead, they should speak in simple terms that customers will understand.

SOURCE: CR:012

SOURCE: FD

SOURCE: Mind Tools. (2020). *Customer service mindset: Getting passionate about satisfying others*. Retrieved October 27, 2020, from [http://www.mindtools.com/pages/article/newCDV\\_77.htm](http://www.mindtools.com/pages/article/newCDV_77.htm)

6. A

Human desires are limitless, while economic resources are limited. Natural resources, human resources, and capital goods are all limited. There are not enough of these resources available for everyone to have as much of them as desired. In other words, people want more resources than what exists or can be produced easily at any one point in time. Oil, coal, and natural gas are examples of nonrenewable resources, meaning that we cannot make more of them. People, our human resources, are valued for the work they do to produce goods and services. This includes both physical and mental work. Human resources are sometimes called labor. Resources found in nature are called natural resources.

SOURCE: EC:003

SOURCE: FD

SOURCE: LAP-EC-014—Be Resourceful (Economic Resources)

7. A

Can help you achieve larger financial goals. Making purposeful spending decisions, instead of spending out of habit or impulsively, is an important step in achieving larger financial goals. Even small daily savings add up to significant amounts over time. Day-to-day spending does not have to be sacrificed entirely for future financial security, as long as you're aware of your spending and are making purposeful decisions. Small savings every day are a very practical step in reaching your financial goals.

SOURCE: FI:065

SOURCE: FD

SOURCE: Benve, R. (2020, May 8). *How to set SMART personal financial goals*. Retrieved October 28, 2020, from <https://toughnickel.com/personal-finance/How-to-Set-Personal-Financial-Goals-Budgeting>

8. C

The money supply. Although inflation has the potential to occur whenever aggregate market demand increases or aggregate market supply decreases, long-term inflation is ultimately caused by significant, persistent increases in the money supply. In other words, there must be a significant increase in the amount of money available to the economy for prices to increase and inflation to occur. Increases in consumer purchasing power and diminishing returns do not cause inflation. Instead, consumer purchasing power decreases as a result of inflation. Diminishing returns are not closely related to inflation.

SOURCE: EC:083

SOURCE: FD

SOURCE: LAP-EC-083—Up, Up, and Away (Inflation)

9. C

Compromise. Negotiation is the process of reaching an agreement with another party. In any negotiation, one party attempts to get another to agree to a certain course of action to meet the party's needs or wants. Compromise occurs when an agreement is reached by giving up something in order to obtain something else. A contract is developed and signed after all parties agree to the terms. A lose-lose situation occurs when neither party gets anything it wants, which usually means that the negotiation has been suspended. At this stage, a dispute often occurs.

SOURCE: EI:062

SOURCE: FD

SOURCE: LAP-EI-062—Make It a Win-Win (Negotiation in Business)

10. A

The financial needs to start a new business depend on the nature of the venture. The requirements (e.g., time, money) that a person needs to start a business differ and usually depend on the nature of the business. For example, a person who starts a home-based consulting business does not require as much money for the startup as a restaurant franchisee does. The franchisee needs to lease space or build a facility, purchase kitchen equipment, obtain supplies, hire employees, and pay franchise fees, which can be very expensive. A patent is legal protection that provides an owner the sole rights to an invention or process for a specific time period. Business owners do not always invent goods or processes, so not all of them need to obtain patent protection. Equipment is not necessarily the least expensive requirement for a startup business.

SOURCE: EN:009

SOURCE: EI

SOURCE: U.S. Small Business Administration. (n.d.). *10 steps to start your business*. Retrieved October 28, 2020, from <https://www.sba.gov/business-guide/10-steps-start-your-business>

11. D

Career. When starting a new business, there is always a risk—the possibility of loss or failure. There are different types of risk, such as financial, social, physical, and career. When an entrepreneur leaves a successful career with a reputable company to start a business, there is the risk that the entrepreneur may lose her/his ability to go back to the career if the new venture fails. If a venture fails and the entrepreneur has not kept up with technological advancements, professional development, or licensing credentials, the entrepreneur may find it difficult to resume her/his career. Because starting a business can be time-consuming and stressful, the entrepreneur may experience social risk (loss of close relationships) or physical risk (health issues related to mental stress), but neither is illustrated in this example. Financial risk is the possibility of losing assets.

SOURCE: EN:010

SOURCE: EI

SOURCE: Government of Alberta. (2020). *How do you handle career risks?* Retrieved October 27, 2020, from <https://alis.alberta.ca/plan-your-career/how-do-you-handle-career-risks/>

12. D

Savings or checking account. Debit cards are a common method of payment for goods and services. Issued by a financial institution (e.g., bank), the debit card is simply inserted into a machine by a cardholder or business employee when purchasing a product. Information is transmitted to the appropriate location, and the funds are electronically transferred from the cardholder's savings or checking account. An expense account is an arrangement between an employee and his/her employer in which the employee keeps track of business-related expenses and reports them to his/her employer for reimbursement. Interest is the money payments for the use of borrowed money. Credit is the arrangement by which businesses or individuals can purchase now and pay later.

SOURCE: FI:058

SOURCE: SS

SOURCE: Federal Trade Commission. (n.d.). *Using debit cards*. Retrieved October 27, 2020, from <https://www.consumer.gov/articles/1004-using-debit-cards#:~:text=When%20you%20open%20a%20checking%20account%20at%20a%20bank%20or,account%20without%20writing%20a%20check.&text=When%20you%20pay%20with%20a,no%20bill%20to%20pay%20later>

13. C

Overdrawing your account. If you spend more using your debit card than you have in your account, you will overdraw your account, which can lead to fees. It is not possible to overdraw a credit card account. Credit and debit cards are both vulnerable to compromised account information. Credit cards carry the risk of interest and fees. Going into debt is a risk associated with credit cards rather than with debit cards.

SOURCE: FI:058

SOURCE: CD

SOURCE: Weliver, D. (2019, March 27). *The 5 biggest debit card dangers*. Retrieved October 28, 2020, from <https://www.moneyunder30.com/debit-card-dangers>

14. B

Paper money. Currency is the paper or metal (coin) money that individuals and businesses use to buy and sell goods and services. Paper money and coins are issued by a country's government. Corporate bonds are bonds issued by corporations to fund operating expenses. Governments do not issue brokerage bills, and certified notes are not a form of currency.

SOURCE: FI:059

SOURCE: SS

SOURCE: Barone, A. (2020, March 20). *Paper money*. Retrieved October 27, 2020, from [https://www.investopedia.com/terms/p/paper\\_money.asp](https://www.investopedia.com/terms/p/paper_money.asp)

15. D

Commission. When a fee or a percentage of a sale is paid to the person providing a service, it is considered a commission. Wages refer to payments exchanged for hours worked. A salary is an agreed upon amount to be paid each month or year in exchange for work. Tips are gifts of money given to a person for performing a service, but they are not a set amount.

SOURCE: FI:061

SOURCE: EI

SOURCE: Corporate Finance Institute. (2020). *Commission*. Retrieved October 27, 2020, from <https://corporatefinanceinstitute.com/resources/careers/compensation/commission/>

16. A

It is better to receive \$100 today than \$101 a year from now. According to the concept of the time value of money, the sooner money is received, the more time you have to let it grow. Receiving money later costs you the opportunity to earn interest or other appreciation. Saving money will not buy time on debt payment. Time and money are not related by due date.

SOURCE: FI:062

SOURCE: SS

SOURCE: Heyford, S.C. (2020, September 23). *Understanding the time value of money*. Retrieved October 27, 2020, from <http://www.investopedia.com/articles/03/082703.asp>

17. A

Convenience. Credit allows businesses and consumers to pay for several different purchases at one time with a single payment. It reduces the need to carry cash and provides the convenience of ordering online or by phone. Collateral is anything of value belonging to the borrower which is pledged to the lender to guarantee that the loan will be repaid. Interest is the fee which lenders charge borrowers for the use of credit. Credit does not provide reassurance.

SOURCE: FI:002

SOURCE: CD

SOURCE: Fontinelle, A. (2020, May 27). *10 reasons to use your credit card*. Retrieved October 28, 2020, from <https://www.investopedia.com/articles/pf/10/credit-card-debit-card.asp>

18. C

Installment credit. Installment credit is a type of credit account set up to handle one total amount of credit which is to be paid off in regular installments. The credit user makes a down payment and signs an agreement to pay monthly installments, including interest, until the total is paid. Revolving credit limits the total amount of money that may be owed and charges interest on outstanding balances. A credit card is an identification card that permits the credit account holder to charge purchases to the credit account. Open account credit allows credit users to buy at any time during a set period, usually 30 days.

SOURCE: FI:002

SOURCE: SS

SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)



19. B

Equal credit opportunity. All individuals are entitled to receive equal opportunity for credit under consumer credit protection laws. This means that creditors may not discriminate against an individual because of his/her race, color, religion, national origin, sex, marital status, age, or use of public assistance when they make decisions. Individuals are not entitled to a credit guarantee. Methods of notifying candidates of their rejection for credit lines vary, and there is not a single "proper" way that is considered appropriate. Maryville Community Credit Union discriminated against Bryant because of his religion, but it did not violate his right to practice his religion.

SOURCE: FI:002

SOURCE: CD

SOURCE: Irby, L. (2019, September 11). *Consumer credit laws you should be familiar with*. Retrieved October 28, 2020, from <https://www.thebalance.com/consumer-credit-laws-you-should-be-familiar-with-4068374>

20. D

Repayment schedule. Individuals and businesses usually borrow money from financial institutions for large purchases, such as business equipment. A borrower must apply for the loan with the lender and provide the lender with necessary financial status information. The lender reviews this information to determine if the potential borrower is a good risk and is likely to pay back the loan. If the lender determines that the borrower meets the necessary criteria, the application is accepted and the loan process begins. The lender develops a formal document (contract) that the borrower must sign. The document contains information regarding the loan repayment terms and schedules. The contract does not include a tax code list, a proposal (request) for disbursement, or a guarantee of eminent domain.

SOURCE: FI:063

SOURCE: CD

SOURCE: Fay, B. (2020). *What is a loan agreement?* Retrieved October 27, 2020, from <https://www.debt.org/credit/loans/contracts/>

21. A

College education. Most new parents begin saving for their children's college education after they are born, but some begin earlier. Tommy will likely have to pay for his own retirement and life insurance. As soon as he is born, Tommy will likely be put on his parents' health insurance until he can afford his own.

SOURCE: FI:064

SOURCE: FD

SOURCE: Williams, G. (2020, July 1). *8 ways to save for your child's college education*. Retrieved October 27, 2020, from <https://money.usnews.com/money/personal-finance/articles/ways-to-save-for-your-childs-college-education>

22. D

How to get the most with the least. Economics is the study of how to meet unlimited, competing wants with limited resources. It is the process of deciding how to get the most with the least, or how to obtain the greatest satisfaction with limited resources. An individual's choice of occupation affects his/her economic decisions because it affects income level. Capital goods are materials used in the production of goods and services, not by individuals. Noneconomic wants are desires for items that can be obtained without money.

SOURCE: EC:001

SOURCE: FD

SOURCE: LAP-EC-006—Are You Satisfied? (Economics and Economic Activities)

23. D

Assign each goal to a general category. A good way to prioritize your financial goals is to assign each goal to a general category such as "must do," "important but not critical," or "not so important." Ranking according to what needs to be done first and ranking every goal in numerical order are two common pitfalls. Another pitfall is ranking everything as very important or thinking that all the goals are equally important.

SOURCE: FI:065

SOURCE: FD

SOURCE: Money Management International. (2020). *How to set and keep personal financial goals*. Retrieved October 27, 2020, from <https://www.moneymanagement.org/credit-counseling/resources/how-to-set-and-keep-personal-financial-goals>

24. D

Plan how much you'll need to set aside each month. Financial planning is necessary to achieving goals because it allows you to develop a process for getting where you need to be. If you want to save enough to buy a phone, you won't just do it overnight—instead, you'll need to plan how much to set aside each month to get there. Borrowing money from a family member or friend is not necessarily a realistic option. Opening a credit card account will not necessarily help you work toward your goal to save money, because credit cards do not help you save money. Dipping into your emergency fund to buy a phone is not a good idea, because then your emergency fund will be depleted, and it will be difficult to save back up again.

SOURCE: FI:065

SOURCE: SS

SOURCE: Swallow, E. (2015, May 7). *5 simple steps to setting financial goals*. Retrieved October 28, 2020, from <https://www.bbvausa.com/moneyfit/savings-and-budgeting/5-simple-steps-to-setting-financial-goals.html>

25. B

Save \$150 every month to help buy a house in five years. Saving \$150 each month to put toward a down payment on a house in five years is an example of a realistic long-term goal. Realistic goals are achievable with the amount of income an individual has and/or earns. Long-term financial goals are goals that take five or more years to accomplish. Saving money for a \$1,000 down payment on a used car is a short-term goal since it can be achieved in less than a year. Earmarking money for utility expenses is an example of budgeting. Since Shiori only earns \$2,500 each month, saving \$3,000 every month for a retirement fund is unrealistic.

SOURCE: FI:065

SOURCE: FD

SOURCE: United Way. (n.d.). *Setting realistic long-term goals*. Retrieved October 29, 2020, from <https://www.unitedway.org/my-smart-money/financial-planning/living-on-your-own/narrative-setting-realistic-long-term-goals#>

26. B

Save \$50 for Christmas presents for his family. It's important to set both short-term and long-term financial goals to safeguard your financial health. Short-term financial goals are goals that will be completed or met in a matter of days, weeks, or months. Long-term financial goals, on the other hand, are goals that span several years—even decades. For a high school student such as Timothy, a relevant short-term goal would be saving money for an upcoming holiday. Saving for college and retirement are both long-term goals. Becoming a senior-level executive by age 30 is a long-term goal for a teenager.

SOURCE: FI:065

SOURCE: FD

SOURCE: Schwahn, L. (2019, September 16). *How to set financial goals*. Retrieved October 29, 2020, from <https://www.nerdwallet.com/blog/finance/how-to-set-financial-goals/>

27. C

Nonessential. The gum and the magazine are extras and, therefore, nonessential. An example of an essential expense would be paying the rent or car loans. Rent and car loans are also examples of fixed expenses. Variable expenses are also essential expenses, but they vary from month to month. Some examples are heating and electric bills, and gasoline.

SOURCE: FI:066

SOURCE: FD

SOURCE: Brunot, T. (2017, July 27). *How to identify "essential" and "non-essential" expenses*. Retrieved October 28, 2020, from <https://pocketsense.com/identify-essential-nonessential-expenses-12211191.html>

28. B

Fixed. When you make a personal budget, it's important to divide your expenses into two broad categories. Fixed expenses are those that stay the same from month to month, like mortgages, car insurance payments, and utilities. Variable expenses change from month to month. Net and gross are terms that are used to describe income, not expenses.

SOURCE: FI:066

SOURCE: SS

SOURCE: Inc. (2020, February 6). *Fixed and variable expenses*. Retrieved October 28, 2020, from <http://www.inc.com/encyclopedia/fixed-and-variable-expenses.html>

29. C

Add up your income. The first step in setting up your budget is to determine the amount of income you have by adding up salaries, interest, etc. You should not cut any expenses until you have already determined your income, estimated total expenses, and figured out the difference between them. Furthermore, you might not even be able to cut your fixed expenses. Maintaining a spending log is a good way to follow through with your budget once it has been created. Finally, investing in retirement is a good idea that should be included in your budget, but it is not the first step in setting up your budget.

SOURCE: FI:066

SOURCE: SS

SOURCE: Practical Money Skills. (2020). *Budgeting*. Retrieved October 27, 2020, from <http://www.practicalmoneyskills.com/learn/budgeting>

30. B

Use a mobile app that tracks purchases. There are many tools available that can help you manage your budget, including mobile apps and websites. Only spending money on basic living expenses is not realistic; you should be able to treat yourself and buy something nice for yourself once in a while. Paying in cash can make it more difficult to keep track of purchases because they are not automatically tracked by online banking or apps. Finally, keeping your budget to yourself can make it more difficult to stick to your budget because friends might pressure you into spending money or going to expensive places. Letting them know that you are saving money gives them the opportunity to support and encourage you.

SOURCE: FI:066

SOURCE: FD

SOURCE: Bocco, D. (2020, October 17). *How can I make myself stick to a budget?* Retrieved October 28, 2020, from <http://www.wisageek.com/how-can-i-make-myself-stick-to-a-budget.htm>

31. A

Put aside money in a traditional bank account, such as a savings account. When saving money for a short-term goal such as buying a car, making a down payment on a house, or creating an emergency fund, traditional bank accounts are generally best because they allow you to access your money quickly and easily. Investing money generally involves higher risk than a traditional bank account and usually makes it more challenging to access money quickly. Retirement savings accounts such as 401(k) accounts are not intended to be used for short-term savings goals.

SOURCE: FI:270

SOURCE: SS

SOURCE: Wells Fargo. (2020). *Saving vs. investing*. Retrieved October 27, 2020, from <https://www.wellsfargo.com/goals-investing/saving-vs-investing/>

32. C

Less debt. Your personal net worth is simply your assets (what you own) minus your liabilities (what you owe). A person with a high net worth generally has less debt than a person with low net worth. Therefore, an individual with a high personal net worth may be more comfortable purchasing an expensive car than an individual with a low personal net worth. Your net worth does not necessarily have anything to do with your salary—it is simply a representation of what you own and what you owe.

SOURCE: FI:562

SOURCE: FD

SOURCE: Charles Schwab. (2020). *Your personal net worth*. Retrieved October 27, 2020, from [https://www.schwabmoneywise.com/public/moneywise/essentials/personal\\_net\\_worth](https://www.schwabmoneywise.com/public/moneywise/essentials/personal_net_worth)

33. B

Amount due on an inheritance. A tax liability is a debt, or the total amount of tax an individual owes. There are many types of taxes, and one of them is an inheritance tax. When individuals receive an inheritance, they usually have to pay tax on at least a portion of the inheritance based on the amount of the inheritance. The inheritance tax is a debt that individuals must pay when they receive an inheritance. Deductions for a charitable contribution, interest paid on a mortgage, and the value of an exemption reduce the tax liability on the amount of income that a person earns.

SOURCE: FI:067

SOURCE: EI

SOURCE: Kagan, J. (2020, May 14). *Tax liability*. Retrieved October 27, 2020, from <http://www.investopedia.com/terms/t/taxliability.asp>

34. D

Sales. Sales tax is imposed by the government on retail goods and services at the point of sale. When a consumer buys a product such as a TV, s/he likely will have to pay a percentage of the selling price in taxes, which are then passed on from the business to the government. Excise taxes are taxes on specific goods such as gasoline and are not generally applied to electronics. Income taxes are levied on the money you take in rather than on purchases. Tariffs are taxes on imports and exports. There is no indication that Ian's TV purchase was affected by tariffs.

SOURCE: FI:067

SOURCE: SS

SOURCE: Kagan, J. (2020, June 11). *Income tax terms guide: Taxes*. Retrieved October 28, 2020, from <https://www.investopedia.com/terms/t/taxes.asp>

35. A

Gross pay. Gross pay is the total income earned for the pay period before income taxes and other deductions are subtracted from the wages. Net pay is the amount of money that the worker receives after the taxes and other deductions have been subtracted from his/her wages. Tax-exempt income includes revenues that are not taxed, such as tax refunds, veterans benefits, and welfare benefits. Overtime income is the amount of money that an hourly worker earns for working more hours than s/he is normally scheduled to work.

SOURCE: FI:068

SOURCE: EI

SOURCE: Lazarony, L. (2020, February 27). *Understanding your paycheck*. Retrieved October 28, 2020, from <https://www.credit.com/personal-finance/how-to-read-your-paycheck-stub/#:~:text=Your%20gross%20pay%20is%20the,gross%20pay%20will%20be%20%24450>

36. A

"Forty-five dollars and 75/100." When filling out a personal check, it's important to write the numerical dollar amount correctly so that the bank can confirm how much you are writing the check for. The correct way to write out \$45.75 on a check would be "Forty-five dollars and 75/100." The "75/100" symbolizes seventy-five cents out of one dollar.

SOURCE: FI:560

SOURCE: SS

SOURCE: Huntington Bank. (2020). *How to write a check*. Retrieved October 27, 2020, from <https://www.huntington.com/Personal/checking/checks/how-to-write-a-check>

37. B

DEP. When entering a transaction in your checkbook register, you should describe the transaction, record the transaction date, indicate the amount of the debit or credit, and use a code or number to identify the transaction type. Deposits to your account (such as biweekly pay) are marked with a “D” or “DEP.” Debit card transactions are coded “DC.” Transfers between your accounts are marked “T.” ATM withdrawals, of course, are coded “ATM.” When entering a check that you have written, you should record the check number.

SOURCE: FI:069

SOURCE: SS

SOURCE: TheMint. (2020). *Track your checking account*. Retrieved October 27, 2020, from <https://www.themint.org/teens/track-your-checking-account.html>

38. C

Subtract fees and charges. To complete checkbook balancing, Matt needs to subtract fees and charges. Some financial institutions charge a monthly fee on bank accounts, especially those with less than a certain balance. They also have charges for new checks, bounced checks, etc. All of these charges must be subtracted from the balance in the check register to obtain an accurate monthly balance. Interest is added to, not subtracted from, the check register balance. Matt does not need to call the bank for a new statement just because the latest deposit is not on his current statement. He does need to subtract fees and charges and add any interest before he can consider everything done.

SOURCE: FI:070

SOURCE: SS

SOURCE: Fowles, D. (2020, July 5). *How to balance your checkbook*. Retrieved October 27, 2020, from <https://www.thebalance.com/balancing-your-checkbook-1289297>

39. A

Bank statement. Account holders interested in reviewing their financial transactions typically use a bank statement. These transactions include deposits, withdrawals, and transfers. Bank overdraft and financial protection are services that would not be useful when reviewing financial transactions.

SOURCE: FI:070

SOURCE: SS

SOURCE: Barone, A. (2020, April 28). *Bank statement*. Retrieved October 28, 2020, from <http://www.investopedia.com/terms/b/bank-statement.asp>

40. B

Loan. A loan is a sum of money lent to a person or business for a specific time period that is repayable with interest. Credit is the arrangement by which a person purchases now and pays later. A lending institution issues credit cards, which allow people to purchase now and pay later. The lender provides credit card users with a limit within which they can charge purchases. The lender pays for the purchases and then sends the credit card user a bill/statement each month that indicates the monthly minimum payment and interest charges due to the lender. It is important for people to pay credit card balances responsibly so they do not accumulate so much debt that they cannot afford to pay the lender. Using credit for purchases helps a person build a personal credit history, which lenders consider when a person applies for a large loan to purchase a car or a house. An asset is something of value that a person owns. Credit is not an asset or a tax. Because credit is so widely used, it is not necessarily a privilege.

SOURCE: FI:071

SOURCE: CD

SOURCE: Federal Trade Commission. (2020). *Using credit*. Retrieved October 27, 2020, from <https://www.consumer.gov/articles/1010-using-credit>

41. B

Use the credit card to pay for routine expenses and pay the balance in full each month. By paying a credit card in full each month, the cardholder can establish a positive credit history and avoid the extra cost of interest. Charging a large amount to the card and making minimum payments would cause interest to accrue on the account and put the cardholder at risk of developing poor credit. Since student loans are not typically charged interest until graduation, it is not beneficial to transfer that debt to a credit card that would begin charging interest right away.

SOURCE: FI:071

SOURCE: FD

SOURCE: College Board. (2020). *How to use credit cards wisely*. Retrieved October 29, 2020, from <https://bigfuture.collegeboard.org/pay-for-college/paying-your-share/how-to-use-credit-cards-wisely>

42. D

Validating credit history. If Eric had not checked his credit score, he would not have known that the credit bureau mishandled his report. This example shows one of the steps for buying a house, but it is not an example of the importance of buying a house. Paying rent on time is one way to develop good credit; neither are truly illustrated in this example.

SOURCE: FI:072

SOURCE: CD

SOURCE: Equifax. (2020). *Why should I check my credit reports and credit scores?* Retrieved October 27, 2020, from <https://www.equifax.com/personal/education/credit/score/why-check-your-credit-reports-and-credit-score/#:~:text=Checking%20your%20credit%20history%20and,any%20inaccurate%20or%20incomplete%20information>

43. A

To reduce risk. Certain investments are safer than others and pay a steady return. However, investments that have more risk usually pay a higher return. To reduce the overall level of risk, investors often diversify and purchase a variety of products. For example, they might invest in government bonds that pay a guaranteed amount even though that amount is not particularly high. Then, they might buy stock in major corporations that have a history of paying reasonable dividends. Finally, they might invest in startup companies that could potentially pay a high return. By diversifying, investors reduce the possibility of losing the entire investment. The purpose of using diversification strategies is not to decrease equity, control debt, or manage price.

SOURCE: FI:350

SOURCE: IN

SOURCE: McWhinney, J. (2019, January 22). *The many ways to achieve investment portfolio diversification*. Retrieved October 27, 2020, from <https://www.investopedia.com/articles/basics/05/diversification.asp>

44. A

Refund. Because Kate had too much income tax taken out of her wages, she is eligible for a tax refund check, which is issued by the government upon receipt of Kate's completed tax return. The government does not issue a deduction, due bill, or reference when income tax is overpaid.

SOURCE: FI:074

SOURCE: EI

SOURCE: Kagan, J. (2020, June 30). *Tax refund*. Retrieved October 27, 2020, from <http://www.investopedia.com/terms/t/tax-refund.asp>

45. D

Direct withdrawal. This occurs when one account holder (Juliet and Tony) gives permission to another account holder (the day care center) to automatically take funds from their bank account. This typically occurs on a regular basis (monthly) for a fixed amount. Online bill pay is when a consumer uses the internet to pay bills through his/her bank. Manual bill pay involves physically giving cash or check as payment. An endorsement is the signature on the back of the check that entitles the payee to receive payment or transfer payment.

SOURCE: FI:565

SOURCE: SS

SOURCE: GoCardless. (n.d.). *What is direct debit? A guide for payers*. Retrieved October 27, 2020, from <https://gocardless.com/guides/intro-to-direct-debit/guide-for-payers/>

46. B

Considered how interest increases the cost of credit. Before he purchased the TV using a credit card, Andrew should have calculated the total cost of his purchase—including interest and fees. Interest can significantly increase the price of a purchase and can cause individuals to pay for items over a much longer period of time than they originally anticipated. Opening a new credit account before purchasing the TV would not have minimized Andrew's responsibility for the purchase; it would have simply transferred his payments to another creditor. Andrew should not necessarily have looked for another job before purchasing the TV—if he truly couldn't afford it with his current income, he should not have bought it. It would've been unwise to take money out of his savings account to pay for the TV.

SOURCE: FI:782

SOURCE: CD

SOURCE: Council for Economic Education. (2019, October 18). *The costs of credit*. Retrieved October 27, 2020, from <https://www.econedlink.org/resources/the-costs-of-credit/>

47. B

Closely reading the terms and conditions. When applying for a credit card, Jasmine should have read the terms and conditions associated with the card closely. Those terms would have indicated the high annual fee that she has to pay. Opening multiple credit card accounts would not help Jasmine to avoid paying the annual fee. Paying her credit bill on time would not help Jasmine avoid the annual fee; annual fees are not related to whether or not bills are paid on time. Applying for a lower interest rate would also not necessarily help avoid a high annual fee.

SOURCE: FI:783

SOURCE: FD

SOURCE: Irby, L. (2020, June 8). *Credit card annual fee explained*. Retrieved October 28, 2020, from <https://www.thebalance.com/credit-card-annual-fee-explained-959986>

48. D

Consumer reports. Consumer reports provide nonbiased information about a car's quality and performance based on reviews from consumer groups and formal road tests. Information from car dealerships and car manufacturers will be promotional in nature and primarily focused on positive information. A friend may provide an honest opinion, but it will probably be based on personal experience instead of extensive automotive knowledge or the reviews of consumer groups.

SOURCE: FI:783

SOURCE: FD

SOURCE: Consumer Reports. (2020). *What we do*. Retrieved October 28, 2020, from <https://www.consumerreports.org/cro/about-us/what-we-do/index.htm>

49. D

Potential to build equity and credit. When you buy a home, you are making a long-term investment that can help you build a solid credit score. A high credit score can help you get approved for lower-interest loans and credit cards because it is an indicator to lenders that you are financially responsible. Other advantages of buying versus renting include greater stability, control over your own property, and possible tax benefits. However, buying a home also requires more money upfront than renting—and you could lose money over time if the value of your home declines. You are also responsible for maintenance and repairs when you own your home, which can be time-consuming and expensive. Owning a home also means that you must pay property taxes, which renters do not need to worry about. Benefits of renting include fewer upfront costs, less paperwork, maintenance and repairs included in rent, and no property taxes.

SOURCE: FI:783

SOURCE: FD

SOURCE: Franklin, J.B. (2020, September 29). *Renting vs. buying a home: Which is right for you?* Retrieved October 27, 2020, from <https://www.bankrate.com/real-estate/renting-vs-buying-a-home/>

50. B

Attorneys. Certain types of financial services often require the assistance of attorneys. For example, most people hire attorneys to help them prepare their wills to make sure that their assets are distributed properly. Also, some people set up guardianships to manage assets for minor children. Attorneys usually provide these types of financial services because wills and guardianship papers are legal documents. To protect the assets, it is important that these documents be prepared correctly. Executors are the individuals who carry out the terms of the will. Wills and guardianship papers often are filed with the appropriate court. Beneficiaries are the heirs.

SOURCE: FI:075

SOURCE: FD

SOURCE: Tatum, M. (2020, September 20). *What does an attorney do?* Retrieved October 27, 2020, from <http://www.wisegeek.com/what-does-an-attorney-do.htm>

51. D

Obtain referrals from close friends. When seeking a financial planner, Mark should find someone that can be trusted with confidential information, and he can trust his friends to steer him in the right direction. Searching online is not as good of a place to start, because Mark is less likely to find someone to whom he can entrust a portion of his financial future. He should interview potential candidates after he has obtained referrals. Mark does not need to contact his bank, though he can if he thinks the bank staff will refer him to a trustworthy financial planner.

SOURCE: FI:076

SOURCE: FD

SOURCE: The Wall Street Journal. (n.d.). *How to choose a financial planner*. Retrieved October 27, 2020, from <http://guides.wsj.com/personal-finance/managing-your-money/how-to-choose-a-financial-planner/>

52. A

A fund prospectus. Mutual fund prospectuses are legal documents that are required by law to be available to investors. They include a large amount of information, including a description of the investing strategy. Ricardo can use prospectuses to find a mutual fund with a strategy that lines up with his interests. Statements of retained earnings and stock tickers do not have information about mutual funds. A shareholders' meeting could provide information that Ricardo needs, but he has not become a shareholder yet, so he cannot attend a shareholders' meeting.

SOURCE: FI:361

SOURCE: IN

SOURCE: Kennon, J. (2019, September 26). *Understanding the mutual fund prospectus*. Retrieved October 27, 2020, from <https://www.thebalance.com/what-is-a-mutual-fund-prospectus-357947>



53. C

The balance sheet. Information about assets and liabilities is found primarily on the balance sheet, not on the income statement, cash flow statement, or in the notes to the statements.

SOURCE: FI:277

SOURCE: IN

SOURCE: Hayes, A. (2020, May 13). *Balance sheet*. Retrieved October 27, 2020, from <https://www.investopedia.com/terms/b/balancesheet.asp#:~:text=Key%20Takeaways-,A%20balance%20sheet%20is%20a%20financial%20statement%20that%20reports%20a,used%20to%20evaluate%20a%20business>

54. D

Spread out the growth rates of their investments. Diversifying by cap size will help you spread out the growth rates of your investments. Each company fits into a cap size category, small, large, or mid (for medium), according to its market capitalization. By spreading out investment risk, diversification, in general, protects your portfolio from a negative event. One way to diversify is to avoid buying too many investments in one category. Updating your investment portfolio helps you stay on track with your investment goals and risk tolerance.

SOURCE: FI:283

SOURCE: IN

SOURCE: Ross, K. (2020). *Market capitalization and a diversified portfolio*. Retrieved October 27, 2020, from <https://library.wilmingtontrust.com/investment-management/market-capitalization-and-a-diversified-portfolio>

55. A

Monitor your credit and bank accounts continuously. By reviewing your credit card statements and your bank accounts on a regular basis, you are more likely to detect credit purchases or bank withdrawals that you did not make. If unauthorized transactions have occurred, you can quickly close accounts to stop identity thieves from accessing your accounts. Other things you can do to protect yourself from identity theft are use different passwords for each of your online accounts and use secure websites when paying bills and shopping online. Not all online sites are secure. You should use the same caution with your debit card as you do with your credit accounts and other bank accounts.

SOURCE: FI:073

SOURCE: FD

SOURCE: Federal Trade Commission. (n.d.). *Identity theft*. Retrieved October 27, 2020, from <http://www.consumer.ftc.gov/features/feature-0014-identity-theft>

56. B

Generating a fixed income. Individuals invest funds for a variety of reasons and to achieve specific goals and objectives. One investment objective is to generate a fixed income. Individuals who are nearing retirement often invest funds in safe products that will pay a guaranteed amount. The individuals can count on the fixed income to support themselves after they retire. Individuals who are nearing retirement do not invest to diversify assets, take a financial risk, or eliminate liabilities.

SOURCE: FI:348

SOURCE: IN

SOURCE: Murphy, C. (2020, August 31). *Fixed-income security*. Retrieved October 27, 2020, from <https://www.investopedia.com/terms/f/fixed-incomeseurity.asp>

57. C

Ticker symbol. The ticker symbol, or call letters, is a system of letters that uniquely identifies a company in a stock (securities) table. Investors and potential investors review the stock tables to assess the performance of their stock or stock they might purchase. Because stock tables have many companies listed, knowing the ticker symbol of a particular stock helps people locate stock information quickly. A trademark is a symbol, design, or word used by a producer to identify a good or service, and it is registered with the government to prevent use by others. Yield code and trade number are fictitious terms.

SOURCE: FI:275

SOURCE: IN

SOURCE: Hayes, A. (2020, March 20). *How to understand a stock quote*. Retrieved October 27, 2020, from <https://www.investopedia.com/articles/investing/093014/stock-quotes-explained.asp>

58. C

You can often write checks from a money market account. Money market accounts and savings accounts are very similar. One advantage of a money market account over a savings account, however, is that you can often write checks from your money market account (something savings accounts don't allow). Stocks, not money market accounts, provide corporate ownership rights. The rate of return for money market accounts is currently just about the same as the rates for savings accounts. Both types of accounts are insured by the FDIC.

SOURCE: FI:077

SOURCE: IN

SOURCE: LAP-FI-077—Invest for Success (Types of Investments)

59. C

To start a business. An entrepreneur is someone who has the desire and ability to begin a business. Entrepreneurs often invest money in new businesses in the hope of being successful and increasing the value of the business. Anyone may ask for a raise, buy a house, or save for retirement.

SOURCE: FI:079

SOURCE: IN

SOURCE: Patel, S. (2015, February 9). *The 17 skills required to succeed as an entrepreneur*. Retrieved October 27, 2020, from <https://www.entrepreneur.com/article/242327>

60. D

Dividends. Dividends are sums of money paid to an investor or stockholder as earnings on an investment. If Allen plans for his retirement well, he will invest his money and earn dividends while he is retired. If Allen is retired, he won't be working, so he won't receive a salary, bonuses, or tips.

SOURCE: FI:569

SOURCE: EI

SOURCE: Fidelity Investments. (2020). *Getting ready to retire: Income sources*. Retrieved October 28, 2020, from <https://www.fidelity.com/retirement-planning/get-started>

61. A

Liquidity ratios. Liquidity ratios measure the ability of a company to turn assets into cash and to pay its bills. Asset management ratios, or efficiency ratios, measure how efficiently a company manages its assets. Debt ratios, also called safety or financial leverage ratios, compare what a company owns to what it owes. Profitability ratios measure the ability of a company to make a profit.

SOURCE: FI:281

SOURCE: IN

SOURCE: Hayes, A. (2020, August 19). *Liquidity ratio definition*. Retrieved October 27, 2020, from <https://www.investopedia.com/terms/l/liquidityratios.asp>

62. B

Quantitative factors. Charts help investors compare a company's quantitative information, such as sales growth and PE. Typically, charts do not help investors compare qualitative factors, such as how the management team is performing, what effect competition has on potential sales, or which growth strategies different businesses use.

SOURCE: FI:284

SOURCE: IN

SOURCE: Majaski, C. (2020, August 7). *Fundamentals*. Retrieved October 27, 2020, from <http://www.investopedia.com/terms/f/fundamentals.asp>

63. C

\$624. In order to calculate the monthly premium, first determine the number of increments of \$30,000 by dividing that figure into the total value of the property ( $\$390,000 / \$30,000 = 13$ ). Then, multiply the monthly rate by the number of increments to determine the monthly premium ( $\$48 \times 13 = \$624$ ).

SOURCE: FI:082

SOURCE: RM

SOURCE: Folger, J. (2019, October 16). *How to calculate insurance premiums*. Retrieved October 27, 2020, from <https://www.investopedia.com/ask/answers/09/calculating-premium.asp>

64. A

Employers. Businesses must pay unemployment taxes (FUTA) to the federal government for each of their employees. The purpose of the tax is to fund the federal unemployment account, which provides financial assistance to workers who lose their jobs due to organizational downsizing, restructuring, etc. Workers and managers are employees. A facilitator is a person who guides a group's discussions and may be a worker or a manager in a business. Workers, managers, and facilitators do not pay federal unemployment taxes.

SOURCE: FI:638

SOURCE: EI

SOURCE: Murray, J. (2020, April 29). *Employer guide to federal unemployment tax - FUTA*. Retrieved October 28, 2020, from <https://www.thebalancesmb.com/what-is-the-federal-unemployment-tax-futa-397959>

65. A

Less than \$10,000. When determining the present value of money received in the future, the dollar amount of the money is multiplied by the value that corresponds to the available interest rate (also called the discount rate or cost of capital) and number of periods on a present value table. As noted above, the value for 20 years at 10% is \$.149. The present value of that \$50,000 is \$7,450 ( $\$50,000 \times \$0.149 = \$7,450$ ), which is less than \$10,000.

SOURCE: FI:238

SOURCE: EI

SOURCE: Heyford, S.C. (2020, September 23). *Understanding the time value of money*. Retrieved October 27, 2020, from <https://www.investopedia.com/articles/03/082703.asp>

66. D

Repossession. When a borrower defaults (fails to pay for an extended period of time) on his/her loan, the lender—in this case, Tommy's bank—may choose to claim the collateral—Tommy's car—that was used to secure the loan. Tommy will no longer be expected to pay on the loan, but he also will no longer have his vehicle. Foreclosure is similar to repossession, but the term is used strictly to refer to the seizure of a mortgaged property, usually a house or other type of real estate. Forbearance is an agreement between a mortgagee and a mortgager to delay foreclosure proceedings. A debt consolidation involves taking out a new loan to pay off multiple other loans and debts.

SOURCE: FI:568

SOURCE: CD

SOURCE: Federal Trade Commission. (n.d.). *Vehicle repossession*. Retrieved October 27, 2020, from <https://www.consumer.ftc.gov/articles/0144-vehicle-repossession>

67. D

A guardian. A person who has children under 18 years of age should designate a legal guardian to care for them in the event of the death of both parents. Since they already have a will, Rahul and Samantha would already have identified an executor (the person in charge of handling the estate). A power of attorney assigns someone the right to act on a person's behalf. It does not designate a person to care for a child. There is no need to designate a probate court judge in a will.

SOURCE: FI:572

SOURCE: SS

SOURCE: 360 Degrees of Financial Literacy. (2020). *Estate planning*. Retrieved October 27, 2020, from <http://www.360financialliteracy.org/Topics/Retirement-Planning/Estate-Planning-Basics>

68. B

Ensures that your assets are divided the way you want them to be. Estate planning gives you the opportunity to determine who will get your assets when you die. It also designates how much each beneficiary will receive from the estate. Effective estate planning will keep your beneficiaries from having to pay estate taxes, thereby maximizing the amount of money that they inherit. Foundations would only receive your assets if they have been designated as beneficiaries. Retirement planning, rather than estate planning, encourages you to develop financial goals. To avoid probate court, your assets would have to be put into a trust. Just having a will does not keep your beneficiaries out of probate court.

SOURCE: FI:572

SOURCE: FD

SOURCE: 360 Degrees of Financial Literacy. (2020). *Why estate planning is for everyone*. Retrieved October 28, 2020, from <https://www.360financialliteracy.org/Topics/Retirement-Planning/Estate-Planning/Why-Estate-Planning-Is-for-Everyone>

69. D

A client makes Sherry pay for an antique table that was damaged by a large cake display. Self-employed individuals carry liability insurance to protect themselves from damages that they cause to others. Liability insurance does not pay anything for the insured person's own losses. When a self-employed individual is injured while performing his/her job, his/her health insurance policy will help pay for medical expenses. When an individual damages his/her own car, collision auto insurance pays for the damages. Since the damaged cupcakes are a loss that Sherry has suffered, liability insurance will not provide reimbursement.

SOURCE: PD:322

SOURCE: RM

SOURCE: Ward, S. (2019, March 31). *How should you insure your home-based business?* Retrieved October 27, 2020, from <https://www.thebalancesmb.com/home-based-business-insurance-2947110>

70. B

Lower. APR stands for annual percentage rate, which represents the amount of interest on your total loan that you'll pay annually. It takes into account the interest rates, the length of the loan agreement, and other fees or charges. If you have a lower APR, your monthly payments will be lower. A higher APR means higher monthly payments. Whether or not monthly payments are stable or fluctuating depends on whether or not the interest rate is fixed or adjustable.

SOURCE: FI:625

SOURCE: CD

SOURCE: U.S. Bank. (2020). *What is the APR on a mortgage?* Retrieved October 27, 2020, from <https://www.usbank.com/home-loans/mortgage/what-is-mortgage-apr.aspx>

71. D

Job benefits impact your income. The opportunity to take paid leave or benefit from partially paid health insurance helps reduce losses to your income. If health insurance is required by law, it would impact an individual regardless of where s/he is employed. The cost of health insurance is determined by the health insurance industry. Health insurance and paid leave are beneficial whether one experiences illness or not.

SOURCE: HR:467

SOURCE: EI

SOURCE: Mayhew, R. (2020). *What is the value of total rewards compensation?* Retrieved October 27, 2020, from <http://smallbusiness.chron.com/value-total-rewards-compensation-2584.html>

72. C

Look into the author's credentials. Authority means being a qualified expert on the subject. Sources of information should have authority to be considered reliable. To evaluate authority, Deena should look into the author's credentials to see whether or not the author is an expert source. Authors who have been published many times in other reputable sources generally can be considered authoritative. Seeing when the source was published is a way to evaluate timeliness rather than authority. Checking to see if facts and statistics are cited is a way to evaluate accuracy, not authority. Looking for signs of bias is a way to evaluate objectivity rather than authority.

SOURCE: NF:079

SOURCE: FD

SOURCE: Elmer E. Rasmuson Library. (2020). *Evaluating information resources*. Retrieved October 28, 2020, from <http://library.uaf.edu/lis101-evaluation>

73. B

Give up too soon. Success is often just around the corner, but many people become discouraged and give up without reaching their goals. Enthusiasm, a positive attitude, and a sincere desire to reach a goal are all helpful in attaining goals.

SOURCE: PD:018

SOURCE: FD

SOURCE: LAP-PD-016—Go for the Goal (Goal Setting)

74. B

Evaluating information. Individuals should evaluate the information they have gathered and identify the pros and cons of taking different actions. They should look at the consequences of all possible decisions and review what might happen based on the information they have obtained. Stating the problem, collecting data, and identifying resources for action are not part of identifying the consequences of taking these different actions.

SOURCE: PD:017

SOURCE: FD

SOURCE: LAP-PD-017—Weigh Your Options (Decision-Making)

75. C

Guidance counselor. Most schools have guidance counselors on staff who help students obtain career information and give them advice about possible occupations. Guidance counselors maintain current information about various types of jobs and can help students locate information that is not available at school. Guidance counselors often keep in touch with local employers and provide students with information about current job openings in the community. Industry recruiters may visit schools occasionally to recruit for specific occupations. The school's admissions director and curriculum planner are not sources of career information.

SOURCE: PD:022

SOURCE: EI

SOURCE: American School Counselor Association. (2019). *The essential role of high school counselors*. Retrieved October 27, 2020, from <https://www.schoolcounselor.org/asca/media/asca/Careers-Roles/WhyHighSchool.pdf>

76. B

Your major strengths, aptitudes, and interests. This information will be the most important because it will help you to determine whether you will be happy and successful in a certain career area. Salary is important to some, but most people try to find occupations that will provide personal satisfaction. People often expect that career opportunities will change according to the needs of the market and that they may need to adapt in the future. Technology is an important part of many occupations, but not all. In addition, technology is constantly changing, which means that your computer skills will likely change over time.

SOURCE: PD:023

SOURCE: EI

SOURCE: Career Key. (2020). *How to choose a career path*. Retrieved October 27, 2020, from <https://www.careerkey.org/choose-a-career/how-to-choose-a-career.html#.WC9YYvkrKUK>

77. D

Insurance. Angelo is an underwriter, so his job responsibilities include calculating the risk of loss, establishing premium rates, and designing policies. The insurance industry exists to protect individuals from financial losses. Other careers in insurance include insurance agent, claim adjuster, and benefits consultant. Accounting encompasses careers that record, classify, summarize, analyze, and communicate a business's financial information and business transactions for use in management decision-making. The securities and investments industry consists of brokerage firms, investment banks, and stock exchanges. The corporate finance function in a company is to manage policy and strategy for capital structure, budgeting, acquisition, and investment; financial modeling and planning; funding; dividends; and taxation.

SOURCE: PD:025

SOURCE: EI

SOURCE: LAP-PD-025—Go For It! (Careers in Business)

78. A

Identifying leads. The first step in conducting a job search often involves identifying possible job leads. Job leads are usually available from friends or family members who may be aware of positions at their places of employment. Other job leads include newspaper ads, employment agencies, and school counselors. Identifying where to start looking for a job is the first step in getting one. Completing applications, contacting employers, and scheduling interviews are activities that take place after leads are identified.

SOURCE: PD:026

SOURCE: EI

SOURCE: Alba, J. (2020). *9 ways for jobseekers to develop job leads*. Retrieved October 27, 2020, from <https://www.livecareer.com/resources/jobs/search/developing-job-leads>

79. D

Accepted another position. The section of an employment application that requests information about previous employment often asks the reason for leaving a former job. Accepting a position with another business is an appropriate reason for changing jobs. Returned to school or seasonal position only are other acceptable reasons for leaving. Job applicants should never give reasons that are critical of a former employer or indicate that the applicants will not be good employees. Never received a promotion, problems with management, and demanding employer are inappropriate responses.

SOURCE: PD:027

SOURCE: EI

SOURCE: Doyle, A. (2019, September 13). *What to list as a reason for leaving on a job application*. Retrieved October 27, 2020, from <https://www.thebalancecareers.com/listing-a-reason-for-leaving-on-job-applications-2061580>

80. D

Proofread. A job applicant should proofread the final draft of a letter of application to check for spelling and grammatical errors. Often, it is helpful to have someone else read the letter in order to make sure that it is correct. It is important that the letter of application be error-free because businesses often judge applicants by their letters. Once the letter has been proofread and, if necessary, revised, it may be mailed or delivered to the business.

SOURCE: PD:030

SOURCE: EI

SOURCE: Wroblewski, M.T. (2020). *The importance of proofreading in the workforce*. Retrieved October 27, 2020, from <https://smallbusiness.chron.com/importance-proofreading-workforce-36110.html>

81. D

Present your job qualifications. A job résumé is an organized presentation of the most basic facts about a job applicant's work and school history. It is intended to show how the applicant is qualified for the job s/he is seeking. The employer who scans the résumé will know whether the applicant's background makes her/him a likely candidate for a particular job opening. Describing personal interests is optional and is often omitted. A list of references may be included, or the résumé may state that references will be provided upon request. A letter of application, or a cover letter, sent with the résumé requests a job interview.

SOURCE: PD:031

SOURCE: EI

SOURCE: Indeed. (2020, February 25). *The purpose of a resume: Uses for job applicants and employers*. Retrieved October 27, 2020, from <https://www.indeed.com/career-advice/resumes-cover-letters/resume-purpose#:~:text=The%20goal%20and%20overall%20purpose,also%20hold%20meaning%20within%20themselves>

82. B

Financing. The purpose of loan products is to provide short-term or long-term financing. Loan products vary depending on the need. For example, a business might obtain a short-term loan to cover expenses during the off season. Or, it might obtain a long-term loan to build a new facility and expand. The loans provide the financing, or money, needed to meet those needs. Collateral is anything of value belonging to the borrower that is pledged to the lender to guarantee that the loan will be repaid. Income is money received by resource owners and by producers for supplying goods and services to consumers. Interest is money payments for the use of borrowed money.

SOURCE: PD:155

SOURCE: CD

SOURCE: Curtis, G. (2020, February 14). *Understanding different loan types*. Retrieved October 27, 2020, from [http://www.investopedia.com/articles/pf/07/loan\\_types.asp](http://www.investopedia.com/articles/pf/07/loan_types.asp)

83. C

Comprehensive. Comprehensive insurance protects against damages from causes other than collision (e.g., fire, theft, water, falling objects, and vandalism). Collision coverage protects against damage to an insured's vehicle if he/she hits another car or loses control of his/her own car. Personal injury coverage pays for medical, hospital, and funeral costs of the insured, the insured's family, and other passengers in the insured's car in the event of an accident. Liability coverage protects against loss as a result of injury to another person or damage to another person's property.

SOURCE: PD:319

SOURCE: RM

SOURCE: The Hartford. (2020). *Comprehensive insurance*. Retrieved October 27, 2020, from <https://www.thehartford.com/aarp/car-insurance/comprehensive-car-insurance>

84. D

Replacement costs for all items stolen. Renter's insurance provides reimbursement to replace damaged or stolen items with new purchases. Reimbursement is based on the cost to replace the stolen items, not on their original costs. A renter's insurance policy will typically specify a limitation on the overall cost of personal property contained within a dwelling that will be reimbursed when the client has suffered a significant loss of property. Renter's insurance does not provide rent payments unless the dwelling has been made uninhabitable due to events such as fire, flood, severe vandalism, etc.

SOURCE: PD:321

SOURCE: RM

SOURCE: Kagan, J. (2020, July 27). *Renter's insurance*. Retrieved October 27, 2020, from <https://www.investopedia.com/terms/r/renters-insurance.asp>

85. C

Charities. Many individuals wish to leave some of their wealth to charity. Debts and tax payments are deducted before remaining funds can be determined for transfer to heirs or charity. Payments for grandchildren's tuition are a type of wealth left to an heir.

SOURCE: FI:572

SOURCE: FD

SOURCE: Law Office of Carey Thompson. (2018, August 3). *Six things you should know about charitable giving and estate planning*. Retrieved October 28, 2020, from [https://thompsonlawtx.com/lawyer/2018/08/03/Estate-Planning/Six-Things-You-Should-Know-About-Charitable-Giving-and-Estate-Planning\\_bl35204.htm](https://thompsonlawtx.com/lawyer/2018/08/03/Estate-Planning/Six-Things-You-Should-Know-About-Charitable-Giving-and-Estate-Planning_bl35204.htm)

86. A

A father with four young children. A father who buys life insurance to provide for a family of four children in the event of his death will require much more insurance than the other individuals. An individual should calculate his/her life insurance needs by determining his/her long-term financial obligations such as taking care of a surviving spouse and/or children. It is recommended that an individual buy 10 times his/her income plus \$100,000 per child for college expenses. A retired individual with grown children is likely to need less life insurance than a father of four. Since high school students and young college graduates do not typically have dependents to care for, the amount of life insurance they require is much less.

SOURCE: PD:323

SOURCE: RM

SOURCE: Marquand, B. (2020). *How much life insurance do I need?* Retrieved October 27, 2020, from <https://www.nerdwallet.com/blog/insurance/how-much-life-insurance-do-i-need/>

87. C

Short-term disability insurance. Short-term disability insurance replaces a portion of an insured person's regular pay to cover living expenses if s/he is unable to work due to a nonwork-related injury or illness. Long-term disability insurance usually begins after short-term disability ends and covers the insured for a longer period of time, approximately two to five years or until retirement. Mortgage insurance is an insurance policy that protects lenders if a borrower defaults on his/her mortgage loan. Homeowner's insurance pays for damages to a person's home and property.

SOURCE: PD:324

SOURCE: RM

SOURCE: Sarmah-Hightower, S. (2020, October 12). *The basics of short-term disability insurance*. Retrieved October 27, 2020, from <https://www.nerdwallet.com/blog/insurance/how-much-life-insurance-do-i-need/>



88. A

Workers' compensation. If a worker is injured on the job, workers' compensation benefits provide money to meet living expenses. Life insurance is only paid to a beneficiary. Health insurance provides funds to pay for medical care, not for living expenses. A retirement plan provides money once an employee has reached retirement age.

SOURCE: PD:333

SOURCE: RM

SOURCE: The Hartford. (2020). *Workers' compensation definition & FAQs*. Retrieved October 27, 2020, from <https://www.thehartford.com/workers-compensation/definition>

89. D

Seniority. Seniority involves the length of time that a person has been employed by one company. The longer people have been employed, the more seniority they have. Businesses often consider seniority when selecting employees to promote. Often, they try to promote the more senior employees because they have more experience on the job and have demonstrated long-term loyalty to the business. Compensation is pay and benefits. Favoritism involves granting special favors to certain people. Arbitration is a method of settling a labor dispute.

SOURCE: PD:034

SOURCE: EI

SOURCE: Heathfield, S.M. (2019, November 27). *What seniority means at work*. Retrieved October 27, 2020, from <https://www.thebalancecareers.com/what-seniority-means-at-work-1919372>

90. C

Conflict of interest. Brokerage firms sometimes have close relationships with companies, influencing their "research" and recommendations at the expense of the customer. There can be built-in incentive to recommend a stock, even if it's not in the customer's best interest. This is not a good opportunity for inside information, because the information may be biased. It is not a valid reason for paying higher broker fees, nor does it represent a broker who is well connected.

SOURCE: PD:234

SOURCE: IN

SOURCE: Segal, T. (2020, June 28). *Conflict of interest*. Retrieved October 27, 2020, from <https://www.investopedia.com/terms/c/conflict-of-interest.asp>

91. D

Fill or kill. A fill-or-kill order lets a broker know to cancel the order if it cannot be executed immediately. A good 'til canceled order lets a broker know the order should remain active until the investor terminates it. A day order lets a broker know that the order will expire at the end of the trading day. An all-or-none order lets a broker know not to execute the order unless it can be executed fully.

SOURCE: PD:236

SOURCE: IN

SOURCE: Chen, J. (2020, June 10). *Fill or kill - FOK*. Retrieved October 27, 2020, from <https://www.investopedia.com/terms/f/fok.asp>

92. A

Mutual funds. Mutual funds are pools of money from individual investors that are directed by a fund manager. One of the benefits of investing in a mutual fund is that they are managed by a professional who has the time and expertise to focus on selecting the right investments. Mutual funds are appropriate for Leena because she does not have the time or knowledge to choose her own investments. Saving is different than investing. Insurance would not help Leena in this situation. Growth stocks are risky and require more attention than Leena can give to be successful.

SOURCE: PD:304

SOURCE: IN

SOURCE: Kennon, J. (2020, February 3). *The basics of mutual funds*. Retrieved October 27, 2020, from <https://www.thebalance.com/mutual-funds-101-356319>

93. A

They have decision-making power. Stockholders have voting rights in shareholder meetings. These votes allow them to influence major decisions such as mergers, changing compensation, or electing a board of directors. Stockholders own shares in the company, but they do not own the company itself. Therefore, they do not have liability for corporations and cannot take any assets from the company. Stockholders also do not have management power at the company.

SOURCE: PD:309

SOURCE: IN

SOURCE: Hayes, A. (2020, February 19). *Stock*. Retrieved October 27, 2020, from <https://www.investopedia.com/terms/s/stock.asp>

94. C

It provides interest payments until the bond matures. Coupon-paying bonds provide the bondholder interest payments until the bond reaches maturity. Coupons are not issued to buy bonds at a discount. A bond's face value (representing the amount of principal the bondholder will receive upon maturity) remains the same from the day it is issued until it reaches maturity. A bond's market price changes in relationship to marketplace forces trading lower or higher than its face value.

SOURCE: PD:313

SOURCE: IN

SOURCE: Parker, T. (2020, August 31). *The basics of bonds*. Retrieved October 17, 2020, from <https://www.investopedia.com/financial-edge/0312/the-basics-of-bonds.aspx>

95. D

Financial loss. Businesses that fail to provide adequate consumer protection may experience financial loss caused by consumer lawsuits, government fines, defective products that cannot be sold, or unsafe products that must be removed from the market. Businesses that do not protect consumers also do not protect themselves and, as a result, may lose a significant amount of money or even go out of business. Customers may experience personal injury, property damage, or physical harm if businesses fail to provide adequate consumer protection.

SOURCE: PM:017

SOURCE: FD

SOURCE: LAP-PM-007—Protect and Serve (Consumer Protection)

96. C

Gap. The purpose of gap insurance is to cover the difference between the amount of money an insurance provider will pay for a totaled car and the remaining amount owed on the vehicle. Because the value of a vehicle depreciates quickly, the insurance provider may pay the depreciated value rather than the purchase price of the vehicle. As in Joseph's situation, this can be very costly if a large amount of money is still owed on an unusable vehicle. Comprehensive insurance pays for vehicle repairs that result from situations such as fire, hail, vandalism, and theft. Uninsured motorist insurance pays for costs associated with driver and passenger injuries and/or vehicle damages that are caused by uninsured, underinsured, or hit-and-run drivers. Adaptable is not a type of insurance.

SOURCE: PD:319

SOURCE: RM

SOURCE: Steinisch, M. (2020). *Gap insurance for your car: Do you need it?* Retrieved October 27, 2020, from <http://www.nolo.com/legal-encyclopedia/gap-insurance-car-do-you-30132.html>

97. A

Optional perils endorsements. Some homeowners live in areas that are prone to earthquakes or floods. Because basic homeowner insurance policies do not cover these types of incidents, insurance agents might encourage clients living in high-risk areas to purchase optional perils endorsements. Optional perils endorsements (riders) are provisions that clients can add to their basic homeowner insurance policies to increase their protection from losses associated with certain risks, such as earthquakes and floods. Rental unit coverage is a provision that covers a dwelling that an owner rents to others for certain time frames, such as a condominium that is located in a resort or recreational area and is rented by vacationers. Term insurance is a type of life insurance that provides financial protection to the insured's beneficiaries for a certain time frame. Assisted living insurance is an insurance rider that protects the personal property of a family member who is placed in a care facility, such as a nursing home.

SOURCE: PD:321

SOURCE: RM

SOURCE: Araujo, M. (2020, August 5). *What is covered peril in homeowner's insurance?* Retrieved October 27, 2020, from <https://www.thebalance.com/homeowners-insurance-peril-2645726>

98. D

Beneficiary. A beneficiary receives the benefits of a life insurance plan after the holder's death. An underwriter is a person who reviews the application for insurance and decides if the applicant is acceptable and at what premium rate. An annuity is a contract that provides a periodic income at regular intervals, and a dividend is a yearly payment given by an insurance company to a policyholder when the company's operating expenses in a given year are better than expected.

SOURCE: PD:323

SOURCE: RM

SOURCE: Insurance Information Institute. (2020). *What is a beneficiary?* Retrieved October 27, 2020, from <http://www.iii.org/article/what-beneficiary>

99. D

"What can you offer that no one else can?" When negotiating the terms of a sale or agreement, it is a good idea to use leverage and determine what value the other person has to offer. Jane can determine what value Mateo is willing to add—including a lower fee—by asking him what sets him apart from competitors. Asking for the lowest price, competitors' pricing, or why she needs to pay fees is not as likely to give Jane the negotiating leverage she needs to obtain a lower fee.

SOURCE: SE:392

SOURCE: FD

SOURCE: O'Connell, B. (2016, October 29). *Yes, you can negotiate fees with your financial advisor.* Retrieved October 28, 2020, from <https://www.thestreet.com/personal-finance/yes-you-can-negotiate-fees-with-your-financial-advisor-13864666>

100. B

Financial plan. The financial plan shows how the business has performed (or is likely to perform) financially. It also discusses where funding for specific projects will come from. The strategy and implementation section shows how the business intends to do what it has planned. The management plan describes the company's managers, whose capabilities (and track record) are often considered to be the single most important indicator of success. In the market analysis, you see how the market has responded (or is likely to respond) to the new company or product/venture.

SOURCE: SM:007

SOURCE: EI

SOURCE: LAP-SM-007—Plan Now, Succeed Later (Nature of Business Plans)