



Competency-Based
Competitive Events
Written Exam
for District/Regional Use

Test Number 1166
Booklet Number _____

Personal Financial Literacy Exam

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.

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1. A legally binding contract comes into being
 - A. only if drawn up by a lawyer.
 - B. whenever someone promises to do something in exchange for something.
 - C. when someone promises to give something to someone else.
 - D. only when money is involved.
2. The ZRB Company promises to ship LST Inc. 200 units of product by a certain date, and LST Inc. promises to pay ZRB \$25,000 for the product within 14 days of receipt. This is an example of a(n)
 - A. executed agreement.
 - B. exempt contract.
 - C. bilateral contract.
 - D. defensible agreement.
3. Which of the following is a characteristic of debtor-creditor relationships:
 - A. Intended to increase competition
 - B. Controlled by industry standards
 - C. Regulated by various laws
 - D. Designed to monitor accounts
4. One of the aims of regulating the insurance industry is to
 - A. create challenges for insurance agents.
 - B. raise insurance prices.
 - C. reduce the risk of gaps in coverage.
 - D. make coverage more exclusive.
5. Federal health insurance regulations can protect against the risk that employers will
 - A. not cover preexisting conditions.
 - B. shift insurance costs to employees.
 - C. receive tax credits for providing insurance.
 - D. lay off workers to save on insurance costs.
6. An investment scam that involves hyping up small, unheard-of stocks is a(n)
 - A. pyramid scheme.
 - B. affinity fraud scheme.
 - C. Ponzi scheme.
 - D. pump-and-dump scheme.
7. Roger was fooled by an investment scammer who claimed to be a part of his religious group. What type of investment scam is this?
 - A. Phishing
 - B. A pyramid scheme
 - C. Affinity fraud
 - D. Pump and dump
8. When providing product information to clients, finance professionals should use
 - A. financial acronyms.
 - B. technical terms.
 - C. simple explanations.
 - D. standard responses.
9. What is the primary responsibility of a financial planner?
 - A. To maximize her/his clients' tax obligation
 - B. To double a client's investment
 - C. To ensure that his/her clients can retire
 - D. To provide appropriate financial guidance

10. When a producer changes from an expensive resource to one that is less expensive, this is an example of
- A. finding an alternative resource.
 - B. paying a higher price for a resource.
 - C. conserving a resource.
 - D. finding another source.
11. A problem on a drilling platform in the Gulf of Mexico has affected the amount of oil that is extracted and refined in the region. Because it is the summer travel season, the demand for gasoline is increasing; however, there is less gasoline available, and the prices for gasoline spike. What economic condition does this situation best describe?
- A. Scarcity
 - B. Conservation
 - C. Opportunity cost
 - D. Input maximization
12. A business that decides to lease its current building instead of buying it is transferring risk through
- A. contractual agreement.
 - B. insurance.
 - C. avoidance.
 - D. business organization.
13. One type of economic risk that a business usually experiences is
- A. dishonesty.
 - B. competition.
 - C. perishability.
 - D. management.
14. Which type of inflation is harmful to the economy?
- A. Demand-pull inflation
 - B. Cost-push inflation
 - C. Hyperinflation
 - D. Negative inflation
15. Besides having a clear understanding of what you want from negotiation, it is important to also know
- A. how long negotiation is expected to take.
 - B. what the other person wants.
 - C. how many people you will be negotiating with.
 - D. who will be required to implement the outcome of the negotiation.
16. Michelle wants to take Saturday night off, but her boss wants her to work. Michelle agrees to work because she thinks this might give her more leverage when she asks for time off in a few weeks. What negotiating style is Michelle using?
- A. Accommodating
 - B. Competitive
 - C. Avoidant
 - D. Combative
17. Which of the following is a benefit of using a debit card instead of a credit card:
- A. Expenses can be paid at a later date.
 - B. You can build your financial rating.
 - C. There is no risk of going into debt.
 - D. You can spend more money at a time.

18. When Matthew receives a check four times a year for income he has earned on his stock investments, he is receiving
- A. cash.
 - B. credit.
 - C. deposits.
 - D. dividends.
19. Which of the following forms of income would be considered unearned income:
- A. A personal salary
 - B. Interest from a savings account
 - C. Tips from waiting tables
 - D. Union strike benefits
20. Which of the following exemplifies the time value of money:
- A. Matthew decided to purchase a smartphone from TeleTech.com for \$199.00.
 - B. Rachel placed \$250 in a savings account and accumulated \$12.50 in interest.
 - C. Sophie estimated that she uses 78% of her income to pay her bills.
 - D. Harrison paid the government \$1,508 in property taxes last year.
21. Jorge is considering whether to invest \$100 at his bank, but first, he wants to know what his \$100 will be worth in a year. To figure this out, Jorge needs to know the
- A. time value of money.
 - B. present value.
 - C. interest rate.
 - D. investment rate.
22. Consumers can borrow against future income to make current purchases by making use of
- A. certificates of deposit.
 - B. money orders.
 - C. interest.
 - D. credit.
23. The credit plan that does not charge interest for the privilege of using monthly credit is a(n) _____ credit plan.
- A. revolving
 - B. installment
 - C. regular
 - D. long-term
24. Ali is borrowing \$275,000 from a bank. So that Ali understands the terms of the loan, the bank outlines the terms in a formal agreement and requires Ali to sign it. This is an example of a financial
- A. contract.
 - B. warranty.
 - C. proposal.
 - D. referral.
25. Banks must clearly communicate loan terms to the loan applicants, and loan applicants must be honest and provide accurate information about their finances to the bank during the application process. What concept does this situation describe?
- A. The Rule of Financial Stability
 - B. The 80/20 Rule
 - C. Doctrine of Accounting Transparency
 - D. Doctrine of Utmost Good Faith

26. Martin keeps money in a special savings account to cover his living expenses for three months in case he loses his job or gets sick and can't work. Martin has set up a(n)
- A. retirement account.
 - B. education plan.
 - C. emergency fund.
 - D. insurance policy.
27. Which of the following is an investment option that provides tax advantages to parents who want to help their children cover their future college expenses:
- A. Education savings account
 - B. Bank checking account
 - C. Retirement savings plan
 - D. Corporate stock options
28. Emily has decided to use all of her savings to buy a new car instead of a used one. What are the opportunity costs of that decision?
- A. The money she saves by not having to constantly repair a used car
 - B. The reliability and luxury of a new car compared to a used one
 - C. The benefits she could have received by using the additional cost of a new car another way
 - D. The benefits she could have received by using public transportation instead
29. Which of the following is a measurable financial goal:
- A. I'd like to spend less money on clothing.
 - B. I want to save \$3,000 for a new truck.
 - C. I want to pay off some of my credit card debt soon.
 - D. I'm thinking of buying a house next year.
30. By developing a personal budget, individuals will be able to review their
- A. investment plans.
 - B. insurance policy coverage.
 - C. spending patterns.
 - D. bank statements.
31. Buying drinks from the local coffee shop is a variable expense because
- A. it is the easiest expense to cut from a budget.
 - B. it is not a necessary expense.
 - C. it is less costly than most other expenses.
 - D. the amount spent varies from month to month.
32. Which of the following is a financial want rather than a financial need:
- A. Food
 - B. Education
 - C. Clothing
 - D. Shelter
33. For which of the following items would you save (rather than invest):
- A. Spring break
 - B. Retirement
 - C. Future children's college
 - D. House

34. For a school project, Megan needs to calculate her net worth. Using the following information, help Megan determine her net worth.

Car value = \$6,000

Savings account = \$250

Credit card debt = \$500

Computer value = \$100

A. \$5,850

B. -\$5,850

C. \$5,650

D. \$5,150

35. Determine personal net worth if you own and owe the following:

Own:

Car	\$ 8,000
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Engagement ring	\$ 3,500
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Investments	\$45,000
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Savings account	\$12,500
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Grandmother's antique china	\$ 2,500
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Owe:

Student loan	\$35,000
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Monthly apartment rental	\$ 600
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Credit card balance	\$ 2,750
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Utilities	\$ 250
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A. \$38,850

B. \$33,750

C. \$36,500

D. \$36,250

36. Which of the following is an example of a payroll deduction:

A. Health insurance

B. Overtime hours

C. Net pay

D. Pay rate

37. Which of the following records that contains information about their investments should individuals keep:

A. Credit

B. Deposit

C. Logistics

D. Purchase

38. Why is it important to read and reconcile bank statements?

A. To calculate interest

B. To balance an account

C. To withdraw excess money

D. To make a deposit

39. One reason that the balance on your bank statement would be higher than your checkbook register would be that

A. an automated payment was deducted from your account.

B. a deposit has not been credited to your account yet.

C. you've written checks after the covered period.

D. you did not record a bank withdrawal.

40. Anita's monthly credit card statement shows a previous balance of \$1,742.56. It also indicates that during the past month, she charged \$320.23 worth of purchases to the card and made a \$680 payment to the credit card company. Her monthly interest rate is 2.25% on the first \$1,200 and 1.25% on amounts over \$1,200. Her finance charge is calculated on the previous balance before new charges and payments on the account are made. What is Anita's new balance?
- A. \$2,096.57
 - B. \$1,776.34
 - C. \$1,416.57
 - D. \$1,382.79
41. Which of the following is the most effective way to avoid excessive credit card debt:
- A. Pay off your balance each month
 - B. Pay off low-interest credit cards first
 - C. Choose a credit card with a high limit
 - D. Use credit card cash advances to pay debt
42. One reason it is important to verify that credit agencies have current information about your credit history is because incorrect data can affect your ability to
- A. declare bankruptcy.
 - B. pay your bills.
 - C. obtain a bank loan.
 - D. sell assets.
43. While reviewing his credit report, Isaiah saw an inaccurate entry regarding a bank loan that he had obtained. The first step that Isaiah should take to correct the mistake is to
- A. file a claim with the federal banking agency.
 - B. contact the bank.
 - C. file a complaint with the local business association.
 - D. contact the appropriate credit bureau.
44. One way to reduce the risk of identity theft is by
- A. storing passwords on web browsers.
 - B. disabling computer virus software.
 - C. shredding old bank statements.
 - D. photocopying credit-card receipts.
45. When Aaron receives what looks like an email from his bank asking him to verify his account information, he replies with his account number, phone number, and social security number. However, Aaron soon finds out that the email wasn't from his bank at all—it was from a scammer. Aaron is the victim of
- A. a break-in.
 - B. key logging.
 - C. phishing.
 - D. a computer virus.
46. When preparing a personal income tax form, parents report some of their childcare expenses to receive
- A. capital gains.
 - B. tax deductions.
 - C. dividends.
 - D. tax rebates.
47. Bob has failed to pay his child support payment for three months in a row. Because of this, the government has put a claim on his home to satisfy the debt. This is called a
- A. debt consolidation.
 - B. garnishment.
 - C. repossession.
 - D. lien.

48. Which of the following is a tool that often helps individuals organize and manage their mortgage, utility, and insurance bills:
- A. Daily work calendar
 - B. Scatter chart
 - C. Monthly payment schedule
 - D. Credit report
49. Chris wants to open a small business, and he has a very good business plan that is likely to succeed. He is more likely to go to a(n) _____ for a loan.
- A. insurance provider
 - B. national bank
 - C. local bank
 - D. mortgage company
50. Kendra's financial goal is to build wealth over time by making diversified investments. Which of the following financial services providers is most likely to help Kendra achieve her goal:
- A. Mortgage company
 - B. Asset-management firm
 - C. Investment bank
 - D. Financial-auditing firm
51. What is an important consideration when selecting a financial-services provider?
- A. Tax status
 - B. Office location
 - C. Fee structure
 - D. Gross income
52. When selecting a qualified financial planner, it is important to consider his/her
- A. living expenses and licensure.
 - B. living expenses and personal goals.
 - C. personal goals and education.
 - D. education and licensure.
53. What is an ideal investment if you have a need for liquidity?
- A. Bond
 - B. 401(k)
 - C. Money market account
 - D. CD
54. Sammy received one share of stock in Nike, Inc. as a gift. He wondered how much of the company's profit went to his single share, so he divided net income by the number of outstanding shares of common stock. What common ratio did Sammy calculate?
- A. Return on equity
 - B. Gross profit margin
 - C. Earnings per share
 - D. Price-earnings
55. Glenn has committed to investing \$100 each month to buying shares of his favorite stock, Microsoft. Last month, when the stock price was \$22, he bought 4.54 shares. This month the stock price is \$25, so he bought just 4 shares. This strategy is called
- A. dollar cost averaging.
 - B. diversification.
 - C. growth investing.
 - D. buy-and-hold.

56. 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
57. What type of financial statement includes an accounting of the shareholders' equity for a company?
- A. Cash flow statement
 - B. Income statement
 - C. Balance sheet
 - D. Annual report
58. Paula is thinking about purchasing stock in the IHM Steel Corporation. Which of the following resources is most likely to contain the financial information she needs to guide her decision-making:
- A. A white paper developed by the steel industry
 - B. IHM's most recent annual report
 - C. The corporation's sales forecast for the current month
 - D. The industry's performance and safety standards
59. The most common headings on a stock table include the 52-week high and low, the stock symbol, the estimated dividend per share, the yield percentage/rate of return, the volume/sales for the day, the closing price for the day, the net change, and the
- A. net income.
 - B. earnings per share.
 - C. price-earnings ratio.
 - D. stockholder's equity.
60. What can a potential investor determine about a stock by analyzing its price range in a 52-week period?
- A. Previous close
 - B. Rate of return
 - C. Stock volatility
 - D. Dividend amount
61. What type of investment involves several people pooling their money to purchase stocks and bonds?
- A. Mutual funds
 - B. Money market accounts
 - C. Secure
 - D. Elective
62. Which of the following are types of lending investments:
- A. Savings accounts, collectibles, and stocks
 - B. Bonds, certificates of deposit, and collectibles
 - C. Money market accounts, certificates of deposit, and bonds
 - D. Certificates of deposit, stocks, and real estate
63. A 401(k) is an example of a
- A. Social Security benefit.
 - B. defined benefits plan.
 - C. defined contribution plan.
 - D. profit-sharing plan.
64. What is the first step you should take when planning for your retirement?
- A. Figure out how much you need to save
 - B. Understand investment options
 - C. Determine your retirement income needs
 - D. Pick the right savings tools

65. Too much diversification in a financial portfolio can
- A. cause other investors to avoid a particular stock.
 - B. dilute the value of big gains on an individual stock.
 - C. keep fund managers from doing their jobs.
 - D. prevent a stock from growing in value.
66. An important advantage of using a stock screener is the ability to
- A. place a quick bid.
 - B. refine your search.
 - C. speak with a live person.
 - D. participate in online investing.
67. What kind of insurance protects you from loss if you let someone drive your car and that person has an accident?
- A. Health
 - B. Liability
 - C. Property
 - D. Whole-life
68. William's car is damaged. To fix the car, the repairs will cost \$1,789. If William's insurance deductible is \$750, how much will the insurance company pay for the repairs?
- A. \$750
 - B. \$1,789
 - C. \$1,039
 - D. \$789
69. A communication firm's employee suspects a problem with an invoice s/he received for computer supplies. The employee might be able to verify the invoice's accuracy by comparing it with the
- A. vendor's cash-flow statement.
 - B. communication firm's sales report.
 - C. shipment's packing slip.
 - D. last quarter's purchase order.
70. 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. More than \$10,000
 - B. Less than \$10,000
 - C. Exactly equal to \$10,000
 - D. Approximately \$10,000, depending on the form of the payments
71. Today, you invest \$5,000 in an account that earns 6% compound interest and \$15,000 in an account that earns 9% interest. How much money will you have in five years?
- A. \$29,770
 - B. \$27,766
 - C. \$36,292
 - D. \$40,228
72. What is good advice to follow to avoid excessive debt?
- A. Engage in impulse buying to avoid unmanageable debt.
 - B. Think long term and be realistic about income and expenses.
 - C. Notify creditors immediately when you know your payments will be late.
 - D. Use co-signers on loans so that they can be held responsible for excessive debt.
73. What is an example of good debt?
- A. Leasing a car that you plan to keep for at least 10 years
 - B. Using credit cards to pay for a family vacation
 - C. Having your children take out loans for college
 - D. Putting zero down on a home loan

74. Tom 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 probate court judge
 - B. An executor
 - C. A guardian
 - D. A power of attorney
75. Blue Diamond Co. attracts the best salespeople because it offers a generous commission structure, a well-rounded benefits package, flexible work hours, and opportunities for professional development. Blue Diamond Co. has
- A. problems with its finances.
 - B. a total rewards system.
 - C. an unsustainable business model.
 - D. unethical hiring practices.
76. Melissa is thinking about setting up her growing business as a corporation. Which of the following online sources is most likely to have relevant information about how to establish a corporation:
- A. MarketWatch
 - B. Wall Street Journal
 - C. Nolo Legal Encyclopedia
 - D. Wikipedia
77. When evaluating the reliability of a journal article that addresses a complex issue or topic, it is important to consider the author's
- A. expertise and knowledge.
 - B. age and expertise.
 - C. gender and age.
 - D. knowledge and gender.
78. How can insurers combat the risk of insurance fraud?
- A. Only insure properties with minimal risk
 - B. File a lawsuit when fraud is suspected
 - C. Drop customers who seem likely to commit fraud
 - D. Develop a list of red flags that signal fraud
79. Which of the following actions is least likely to help you achieve a goal:
- A. Keeping a written record of your progress
 - B. Setting a time limit for achieving the goal
 - C. Asking your friends if the goal is worthwhile
 - D. Developing a plan of things to do
80. One of the most important benefits of setting goals is
- A. becoming a good example.
 - B. avoiding everyday problems.
 - C. achieving success in life.
 - D. learning how to lead others.
81. Which of the following do businesses often expect employees to make on their own:
- A. Routine decisions
 - B. Policy changes
 - C. Operating plans
 - D. Personnel choices

82. As Vanessa walked into the library, Jeremy and Sam were just closing a drawer on the librarian's desk. Later, Vanessa described the incident to the librarian—and included her own conclusion that the boys had probably stolen something. Vanessa's account is an example of which of the following:
- A. Logic
 - B. Framing
 - C. Input
 - D. Style
83. When using exploratory interviews to identify occupational interests, you should try to interview someone who
- A. has an executive position in the company.
 - B. used to have the kind of job you want.
 - C. holds the kind of job you want.
 - D. hires people for the kind of job you want.
84. Which of the following is one way for a person to identify a tentative career interest:
- A. Ask guidance counselors for suggestions
 - B. Take ability assessment tests
 - C. Find out which majors are popular
 - D. Locate high-income occupations
85. Employees who work in certain professions are required to pass an examination and obtain a
- A. license.
 - B. sponsor.
 - C. charter.
 - D. patent.
86. Employees who look for meaningful clues about what customers want and why they want it work in
- A. insurance.
 - B. administrative services.
 - C. securities and investments.
 - D. marketing research.
87. Why is it a good idea to take a small dictionary with you when completing a job application form?
- A. To check the accuracy of grammar used in completing the form
 - B. To provide accurate, current addresses and phone numbers
 - C. To create a positive impression by spelling words correctly
 - D. To impress a potential employer with your ability to access information
88. Individuals completing employment applications often are asked to answer questions about
- A. which days and hours they can work.
 - B. their rights and privileges on the job.
 - C. which fringe benefits they prefer.
 - D. their personal philosophy of life.
89. Carla has written to several businesses about a job even though the businesses have not advertised positions available. Carla's letters are examples of _____ letters of application.
- A. unsolicited
 - B. requested
 - C. invited
 - D. unintentional
90. Writing a letter of application is often an important part of applying for jobs
- A. by telephone.
 - B. in person.
 - C. online.
 - D. indirectly.

91. Which of the following would indicate that a job applicant is more likely to make mistakes on the job:
- A. The cover letter lacks the applicant's signature.
 - B. The résumé contains misspelled words.
 - C. The applicant does not provide references.
 - D. The applicant did not complete his/her college degree.
92. Which of the following things should you do when preparing your résumé:
- A. Have a trusted friend or colleague proofread it.
 - B. Use unique and eye-catching fonts.
 - C. Cut and paste the job description into your résumé template.
 - D. Insert graphics, such as a photo of yourself.
93. Which of the following is a reason that you might file an automobile insurance claim:
- A. Your car battery died.
 - B. You got a flat tire.
 - C. You left your car doors unlocked, and someone stole your phone.
 - D. You accidentally ran a red light and hit another vehicle.
94. If you are covered under your parents' health insurance, you
- A. must have financial need.
 - B. are breaking the law.
 - C. are considered a dependent.
 - D. won't receive full benefits.
95. Arden's roof was damaged during a thunderstorm. What type of insurance claim should she file?
- A. Weather
 - B. Homeowners
 - C. Life
 - D. Liability
96. When should you obtain life insurance?
- A. When you reach a certain age
 - B. When you have people who are dependent on you
 - C. When you purchase your own property
 - D. When you have no debts
97. What type of order restriction lets a broker know the order will expire at the end of the trading day?
- A. Day order
 - B. All or none
 - C. Fill or kill
 - D. Good 'til canceled
98. What type of order restriction lets a broker know the order will be canceled if not filled immediately?
- A. All or none
 - B. Fill or kill
 - C. Day order
 - D. Good 'til canceled
99. All the efforts to safeguard consumers from any kind of injury they might suffer in the process of purchasing and/or using consumer products is known as consumer
- A. protection.
 - B. spending.
 - C. marketing.
 - D. confidence.
100. Which of the following statements is true regarding business plans:
- A. Owners often use business plans as a tool to help them achieve their objectives.
 - B. The operating plan details information regarding the business's services.
 - C. Lending institutions do not usually require loan applicants to submit a business plan.
 - D. A corporation is the only legal form of business ownership that should develop a business plan.

1. B

Whenever someone promises to do something in exchange for something. This exchange of money, things, time, ideas, etc., is what distinguishes a contract from a gift. Promising to give something to someone else is not a contract because no exchange occurs. Contracts can be binding whether or not money is involved, or whether they are drawn up by a lawyer or private individuals.

SOURCE: BL:002

SOURCE: FD

SOURCE: Laurence, B. (2017). *Contracts 101: Make a legally valid contract*. Retrieved September 25, 2017, from <https://www.nolo.com/legal-encyclopedia/contracts-101-make-legally-valid-30247.html>

2. C

Bilateral contract. A bilateral contract is a mutually beneficial agreement between two parties in which both parties promise to perform certain activities. In the example, one company makes a promise to ship a certain product by a certain date, and the other company promises to pay for the products within a certain amount of time. An executed agreement is an agreement or contract that has already occurred. Exempt contract and defensible agreement are fictitious terms.

SOURCE: BL:002

SOURCE: FD

SOURCE: Rocket Lawyer. (2017). *What's the difference between bilateral and unilateral contracts?* Retrieved September 25, 2017, from <https://www.rocketlawyer.com/article/whats-the-difference-between-bilateral-and-unilateral-contracts.rl>

3. C

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: Cornell University Law School Legal Information Institute. (n.d.). *Debtor and creditor*. Retrieved September 25, 2017, from https://www.law.cornell.edu/wex/debtor_and_creditor

4. C

Reduce the risk of gaps in coverage. Governments regulate the insurance industry to make sure that insurance companies do not have major gaps in coverage. When there are gaps in coverage, consumers are at much greater financial risk. Raising insurance prices, creating challenges for insurance agents, and making coverage more exclusive are not aims of regulating the insurance industry.

SOURCE: BL:101

SOURCE: RM

SOURCE: Insurance Regulatory Law. (2016, November 23). *About insurance regulatory law*. Retrieved September 22, 2017, from <http://www.insuranceregulatorylaw.com/p/irlabout.html>

5. B

Shift insurance costs to employees. Federal health insurance regulations attempt to protect consumers by preventing employers from shifting too much of the costs of insurance to individual employees. Without regulations, employers might not provide affordable insurance plans to employees. Employers do not have a say in whether or not insurance companies cover preexisting conditions. Employers might receive tax credits for insurance, but this is not a risk that insurance regulations prevent. Finally, insurance regulations cannot prevent employers from laying off employees to save money.

SOURCE: BL:137

SOURCE: EI

SOURCE: IRS. (2017, August 26). *Questions and answers on employer shared responsibility provisions under the Affordable Care Act*. Retrieved September 22, 2017, from <https://www.irs.gov/affordable-care-act/employers/questions-and-answers-on-employer-shared-responsibility-provisions-under-the-affordable-care-act>

6. D

Pump-and-dump scheme. An investment scam that involves hyping up small, unheard-of stocks is a pump-and-dump scheme. Usually over the Internet, the scammers con unsuspecting investors into buying the stock so its price will go up. Then, the scammers sell out at the high price, leaving the other investors to deal with the inevitable price plummet. Affinity fraud is an investment scam in which the scammer claims to be a member of the group s/he is targeting. A Ponzi scheme is an investment scam that lures in new investors by promising high rates of return with little to no risk. A pyramid scheme is an investment scam based on a hierarchy in which the scammers lure in investors, who must then recruit new investors, and so on. Each level gives some of its returns to the level above it.

SOURCE: BL:104

SOURCE: IN

SOURCE: Investopedia. (2013, May 3). *Pump and dump*. Retrieved September 25, 2017, from <http://www.investopedia.com/terms/p/pumpanddump.asp>

7. C

Affinity fraud. Roger is a victim of affinity fraud, an investment scam in which the scammer claims to be a member of the group s/he is targeting—in this case, Roger's religious affiliation. A pyramid scheme is an investment scam based on a hierarchy in which the scammers lure in investors, who must then recruit new investors, and so on. Each level gives some of its returns to the level above it. Phishing is an online identity-theft scam that fools its victims into believing they are submitting sensitive, personal information (such as credit card numbers or bank passwords) to a legitimate website. Pump and dump is an investment scam that involves hyping up small, unheard-of stocks. Usually over the Internet, the scammers con unsuspecting investors into buying the stock so its price will go up. Then, the scammers sell out at the high price, leaving the other investors to deal with the inevitable price plummet.

SOURCE: BL:104

SOURCE: IN

SOURCE: U.S. Securities and Exchange Commission. (2013, October 9). *Affinity fraud: How to avoid investment scams that target groups*. Retrieved September 25, 2017, from <https://www.sec.gov/investor/pubs/affinity.htm>

8. C

Simple explanations. When providing product information to clients, finance professionals should keep the clients' point of view in mind. Clients may not be familiar with finance industry jargon, technical terms, or acronyms. Therefore, finance professionals should use simple, clear language that clients understand. While standard responses are sometimes helpful to finance professionals, it is usually better to keep individual clients in mind when providing product information since different clients are likely to have different knowledge bases.

SOURCE: CR:012

SOURCE: FD

SOURCE: AARP and the Financial Planning Association. (n.d.). *A financial professional's guide to working with older clients*. Retrieved September 25, 2017, from http://assets.aarp.org/www.aarp.org/_articles/money/financial_planning/financial_professional.pdf

9. D

To provide appropriate financial guidance. Financial planners are responsible for helping their clients achieve their financial goals by providing sound advice and suggesting appropriate financial products—such as investments, insurance, saving and budgeting, etc. Although financial planning involves using financial tools to grow the client's wealth, the financial planner cannot guarantee that the client's investment will double in value or that the client will generate enough investment income to retire at a certain age. A financial planner will work to minimize a client's tax obligation rather than maximize it.

SOURCE: CR:012

SOURCE: FD

SOURCE: Friedberg, B.A. (2017, September 20). *What do financial advisors do?* Retrieved September 25, 2017, from <http://www.investopedia.com/articles/personal-finance/050815/what-do-financial-advisers-do.asp>

10. A

Finding an alternative resource. Businesses that choose not to use one resource to produce goods must find an alternative in order to continue. This often occurs when the price of a resource rises, causing the costs of production to increase. If a resource is scarce, users may conserve it by decreasing the amount currently being utilized. The producer in this case is paying less for an alternative capital good, rather than trying to find another source at a better price.

SOURCE: EC:003

SOURCE: FD

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

11. A

Scarcity. Scarcity is a condition resulting from the gap between unlimited want for goods (e.g., gasoline) and limited resources (e.g., oil). Because there is not enough of a resource (oil) to produce the desired product (gasoline), supply declines. When demand for a product increases and supply for the product decreases, scarcity occurs. Exchange is the process of trading one good or service for something else of value. Conservation is the preservation and protection of resources. Opportunity cost is the benefit that a person loses when s/he decides to use scarce resources (e.g., money) for one purpose rather than for another. Inputs are the resources used in producing goods and services. When a business uses all of the available inputs in the most efficient way to produce outputs, it is maximizing its inputs and outputs. Because there is a problem on the drilling platform, the inputs are not being used efficiently or to the best of their ability.

SOURCE: EC:001

SOURCE: FD

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

12. A

Contractual agreement. Contractual agreements are agreements between two or more people that state that one party is to do something in return for something provided by another party. A business pays rent for space, and the lessor agrees to maintain the space and make needed repairs. This agreement transfers risk to the lessor. Insurance shifts certain specified risks to someone else. Business organization refers to the type of structure of the ownership. Avoidance is completely eluding a situation.

SOURCE: EC:011

SOURCE: RM

SOURCE: LAP-EC-003—Lose, Win, or Draw (Business Risk)

13. B

Competition. Business risk is the possibility of loss (failure) or gain (success) inherent in conducting business. There are several types of risks, including economic risks which are chances of loss due to changes in the market. Competition is an example of one economic risk businesses face. For example, a business that develops a unique product and begins to sell it in the marketplace may start out with a large part of the market share. As other companies develop similar products and start selling them, the business experiences more competition and usually starts losing market share. The business may try to improve the existing product or develop new products to gain back a portion of the market share. Perishability is a natural risk. Dishonesty is a human risk. Management consists of people who make business decisions, which makes it a human risk, too.

SOURCE: EC:011

SOURCE: RM

SOURCE: LAP-EC-003—Lose, Win, or Draw (Business Risk)

14. C

Hyperinflation. Hyperinflation—high and/or unexpected inflation—is harmful to the economy. It can restrict spending, discourage businesses from expanding, reduce the standard of living, and even cause shortages of goods. Demand-pull inflation is caused when the money supply grows faster than the economy does. It is not necessarily harmful to the economy. Cost-push inflation occurs when limited commodities drive up costs and prices. It is not necessarily harmful to the economy, either. There is no such thing as negative inflation. The opposite of inflation is deflation.

SOURCE: EC:083

SOURCE: FD

SOURCE: LAP-EC-028—Up, Up, and Away (Inflation)

15. B

What the other person wants. Knowing what the other person wants allows you to identify the common ground between the two viewpoints. How long negotiation will take is seldom determined ahead of time. Although it may be nice to know, the number of people attending is not a crucial factor in negotiations. The task at hand is the negotiation. It is unwise to divide your focus between the negotiation and implementing the outcome.

SOURCE: EI:062

SOURCE: FD

SOURCE: LAP-EI-008—Make It a Win-Win (Negotiation in Business)

16. A

Accommodating. Michelle is using an accommodating style by giving in now and hoping to gain something else during another negotiation. When she settles for a short-term loss (such as working on Saturday night), she hopes to acquire a long-term win later (such as getting more time off). A combative style involves a strong, “no-compromise” attitude. In a competitive negotiation, one or both parties view the situation as a rivalry or a game-like challenge. This style embraces the “I must win, so you must lose” mentality. If using an avoidant style, a person does what s/he can to steer clear of an uncomfortable or unpleasant situation.

SOURCE: EI:062

SOURCE: FD

SOURCE: LAP-EI-008—Make It a Win-Win (Negotiation in Business)

17. C

There is no risk of going into debt. Debit cards withdraw money from your account in real time, so you will be cut off and notified if you spend too much. The most you will pay is an overdraft fee. In contrast, credit cards allow you to borrow money and pay it back later, with interest. You can spend more than you actually have, which results in debt. Credit cards, rather than debit cards, allow you to build your credit score to prove your financial stability to future employers and landlords. Debit cards do not allow you to pay expenses at a later date or to spend more money at a time than credit cards.

SOURCE: FI:058

SOURCE: CD

SOURCE: Tierney, S. (2016, March 7). *What is a debit card and how is it used?* Retrieved September 25, 2017, from <https://www.nerdwallet.com/blog/banking/what-is-a-debit-card/>

18. D

Dividends. A dividend is a sum of money that a corporation pays to a stockholder as earnings on an investment. The corporation usually pays dividends by check to stockholders on a quarterly basis. The stockholder can deposit the dividend check into a savings or checking account or convert it to cash. Credit, deposits, and cash are not forms of income that are earned by owning stock.

SOURCE: FI:061

SOURCE: EI

SOURCE: The Motley Fool Answers. (2015, May 18). *What are dividends and how do they work?* Retrieved September 25, 2017, from <http://www.fool.com/answers/faq/what-are-dividends-how-do-they-work/>

19. B

Interest from a savings account. Interest from a savings account is considered unearned income. Unearned income is any income that comes from investments and other sources that are not related to employment. A salary, tips from waiting tables, and union strike benefits are all considered to be earned income—taxable income and wages from employment.

SOURCE: FI:061

SOURCE: EI

SOURCE: Marquit, M. (2016, January 21). *Earned income vs. unearned income.* Retrieved September 25, 2017, from <https://plantingmoneyseeds.com/earned-income-vs-uneared-income/>

20. B

Rachel placed \$250 in a savings account and accumulated \$12.50 in interest. The time value of money states that money available today is more valuable than the same amount of money in the future—because you can invest the money today and earn a return on that investment. Because Rachel placed her money in an interest-earning account, her money is worth \$12.50 more than it was last year. Buying a phone, the amount of annual income allocated for expenses, and property taxes paid do not indicate the future value of a set amount of money.

SOURCE: FI:062

SOURCE: IN

SOURCE: Carther, S. (2017, May 18). *Understanding the time value of money*. Retrieved September 25, 2017, from <http://www.investopedia.com/articles/03/082703.asp>

21. C

Interest rate. To figure out what his \$100 will be worth in a year, Jorge needs to know the bank's interest rate. This will tell him the future value of his money if he invests with the bank. Jorge already knows the present value—it's the \$100 that he currently has. The time value of money states that money available today is more valuable than the same amount of money in the future—because you can invest the money today and earn a return on that investment. The investment rate is not a term commonly used when determining future value.

SOURCE: FI:062

SOURCE: SS

SOURCE: FinanceProfessor.com. (n.d.). *Time value of money overview*. Retrieved September 25, 2017, from <http://financeprofessor.com/notes-for-classes/time-value-of-money-overview/>

22. D

Credit. Credit is the arrangement by which businesses or individuals can purchase now and pay later. Money orders are purchased at banks, post offices, or stores to be used as checks. Certificates of deposit are savings certificates. Interest is the fee lenders charge borrowers for the use of credit.

SOURCE: FI:002

SOURCE: CD

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

23. C

Regular. The customer may charge purchases at any time but must pay the full amount owed by a specific date. Installment credit requires customers to pay interest on a specific number of monthly payments. Revolving credit allows customers the option of paying in full or making partial payments each month. Long-term is a distractor.

SOURCE: FI:002

SOURCE: CD

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

24. A

Contract. A contract is an agreement between two or more parties stating that one party is to do something in return for something provided by another party. In the example, the bank agrees to lend Ali money and Ali agrees to the loan terms, which includes a repayment schedule. If one party does not follow through with the agreement, the other party can pursue legal action. A warranty is a promise made by the seller to the consumer that the seller will repair or replace a product that does not perform as expected. A proposal is a formal document that presents the reader with a call to action. A referral is an entity to which salespeople are recommended.

SOURCE: FI:063

SOURCE: SS

SOURCE: Fay, B. (2017). *What is a loan agreement?* Retrieved September 25, 2017, from <https://www.debt.org/credit/loans/contracts/>

25. D

Doctrine of Utmost Good Faith. Business relationships are built on trust, which involves honesty and transparency. The Doctrine of Utmost Good Faith is a legal concept that requires borrower/lender or buyer/seller to be honest with one another. This means that each party does not mislead or withhold information that impacts the contractual agreement from one another. In the situation described, the lender (bank) must clearly explain the terms of the loan to the applicant (borrower). The applicant must provide honest information to the bank regarding his/her financial standing (e.g., income, debt level, etc.). The 80/20 Rule is a principle that assumes that most of the results or outcomes in any situation are affected by a few factors or causes. For example, 80% of a business's sales are generated by 20% of its customers. The Doctrine of Accounting Transparency and the Rule of Financial Stability are fictitious terms.

SOURCE: FI:063

SOURCE: SS

SOURCE: FindLaw. (2017). *The doctrine of utmost good faith*. Retrieved September 25, 2017, from <http://consumer.findlaw.com/insurance/the-doctrine-of-utmost-good-faith.html>

26. C

Emergency fund. Many financial planners advise their clients to maintain a savings account specifically to cover unexpected events, such as job loss or illness. The money in an individual's emergency fund is used to cover basic living expenses (e.g., mortgage, rent, car insurance, food) until s/he can work and earn a steady income. Many financial planners advise individuals to maintain enough money to cover living expenses for three to six months. Education plans are savings accounts that allow parents to save money for their children's college education. Retirement funds are financial instruments that build wealth for an individual's retirement. An insurance policy is a contractual agreement in which one company (insurer) will pay for specified losses incurred by the other company (insured) in return for installment payments (premium).

SOURCE: FI:064

SOURCE: FD

SOURCE: Kapoor, J.R., Dlabay, L.R., & Hughes, R.J. (2009). *Personal finance* (9th ed.) [p. 88]. New York: McGraw-Hill Irwin.

27. A

Education savings account. Because college is a very expensive endeavor, parents often start saving money for their children's education well before they are ready to go to college. Parents who place money in education savings accounts receive certain tax advantages. For example, a certain type of education savings account may defer tax obligations on interest earned until the funds are disbursed. Retirement savings plans enable workers to save money for use when they reach retirement age and are no longer working. Corporate stock options and bank checking accounts do not provide tax advantages in relation to saving money for college.

SOURCE: FI:064

SOURCE: FD

SOURCE: Saving for College, LLC. (2016, May 25). *Intro to ESAs*. Retrieved September 25, 2017, from http://www.savingforcollege.com/intro_to_esas/

28. C

The benefits she could have received by using the additional cost of a new car another way. Opportunity costs are the benefits that are lost when you decide to choose one alternative over another. In this case, Emily could have used the money she spent on getting a new car on something else. Her opportunity costs are not the reliability and luxury of a new car—those are benefits. Emily chose a new car over a used car, and wasn't considering public transportation, so the money saved by taking public transportation is not an opportunity cost. The money saved by not having to constantly repair a used car is a benefit of buying a new car, not an opportunity cost.

SOURCE: FI:065

SOURCE: FD

SOURCE: Investopedia. (2017, September 9). *Opportunity cost*. Retrieved September 25, 2017, from <http://www.investopedia.com/terms/o/opportunitycost.asp>

29. B

I want to save \$3,000 for a new truck. Measurable goals can be counted or assessed in a way that shows real progress. If you want to save \$3,000 for a new truck, this is a measurable goal because you can track the amount of money you save and determine whether or not you're successful. Spending less money on clothing isn't a measurable goal because it's too vague—"less" is more difficult to measure than a specific dollar amount. "I'd like to pay off some of my credit card debt soon" is also not a measurable goal—there is no specific money or time element. "I'm thinking of buying a house" isn't a measurable goal because it isn't specific enough—houses can cost different amounts of money, so it's hard to measure unless you have a certain dollar amount in mind.

SOURCE: FI:065

SOURCE: FD

SOURCE: Benve, R. (2017, July 6). *How to set smart personal financial goals*. Retrieved September 25, 2017, from <https://toughnickel.com/personal-finance/How-to-Set-Personal-Financial-Goals-Budgeting>

30. C

Spending patterns. A budget is an estimate of what income and expenses will be for a specific time period. The expense section of a budget helps individuals review their spending patterns, which are the ways that they spend money. For example, a budget might indicate that a lot of money was being spent on convenience foods or casual clothing. This indicates a spending pattern that may need to be changed depending on the amount of income. Developing a personal budget will not enable individuals to review their insurance policy coverage, investment plans, or bank statements.

SOURCE: FI:066

SOURCE: FD

SOURCE: Practical Money Skills. (2017). *Budgeting*. Retrieved September 25, 2017, from <http://www.practicalmoneyskills.com/learn/budgeting>

31. D

The amount spent varies from month to month. Variable expenses differ from fixed expenses because fixed expenses are the same each month, whereas variable expenses change. Not all variable expenses are unnecessary. In addition, not all variable expenses are less costly and easy to cut. For example, grocery shopping is a variable expense, but it is also necessary, sometimes expensive, and not necessarily easy to cut from a budget.

SOURCE: FI:066

SOURCE: FD

SOURCE: Pant, P. (2017, June 3). *What's the difference between fixed and variable expenses*. Retrieved September 25, 2017, from <https://www.thebalance.com/what-s-the-difference-between-fixed-and-variable-expenses-453774>

32. B

Education. Education is a financial want rather than a financial need. Financial needs are the basics that are necessary for survival. Food, clothing, and shelter are necessary for survival, but education isn't.

SOURCE: FI:270

SOURCE: SS

SOURCE: Jespersen, C. (2017, March 8). *Needs vs. wants: How to distinguish and budget for both*. Retrieved September 25, 2017, from <https://www.nerdwallet.com/blog/finance/financial-needs-versus-wants/>

33. A

Spring break. You would save money for spring break, rather than invest for it. Saving is important for reaching short-term financial goals, such as vacations. Investing is for reaching long-term financial goals, such as retirement, your children's college education, and home ownership.

SOURCE: FI:270

SOURCE: SS

SOURCE: Kennon, J. (2017, July 1). *Saving vs. investing money*. Retrieved September 25, 2017, from <https://www.thebalance.com/saving-money-vs-investing-money-358062>

34. A

\$5,850. Subtract liabilities (credit card debt) from assets (car value, savings account, and computer value) to calculate net worth. $(\$6,000 + \$250 + \$100) - \$500 = \$5,850$.

SOURCE: FI:562

SOURCE: SS

SOURCE: Schwab MoneyWise. (2017). *Your personal net worth*. Retrieved September 25, 2017, from http://www.schwabmoneywise.com/public/moneywise/essentials/goals_budgeting/personal_net_worth

35. B

\$33,750. Calculating your net worth involves comparing your assets with your liabilities (Assets - Liabilities = Net Worth). Your assets include savings accounts, cash savings, checking accounts, stocks, and mutual funds. It also includes assets such as a home, car, boat, antiques, and jewelry. Your liabilities don't take into account your annual expenses. For example, you would not include your monthly mortgage payment, your rent, or your utilities. Instead, you want to determine your outstanding short to long-term debt. For example, if you have a credit card, and you pay it off each month, that's not going to be considered a liability, because each month that goes to zero. But if you have a student loan that has an outstanding balance that you're paying off on a monthly basis over an extended period of time, then the balance due on that loan is a liability. Other examples of liabilities include the balance due on a mortgage, a student loan, a car loan, a boat loan, and personal loans that you owe to others. Total the value of your assets, and then total the value of your liabilities. Subtract your liabilities from your assets to determine your net worth. In this scenario, the total assets equal \$71,500, while liabilities equal \$37,750. The difference between the two results in a net worth of \$33,750. Utilities and monthly apartment rental are considered expenses, rather than liabilities and would not be included in the total for liabilities.

SOURCE: FI:562

SOURCE: SS

SOURCE: Schwab MoneyWise. (2017). *Your personal net worth*. Retrieved September 25, 2017, from http://www.schwabmoneywise.com/public/moneywise/essentials/goals_budgeting/personal_net_worth

36. A

Health insurance. Payroll deductions are monies that an employer withholds from an employee's gross earnings. A large portion of the deductions is the various income taxes, which the employer pays to the government on behalf of the employee. Other deductions might include health insurance premiums, voluntary savings, and child-support payments. Net pay is the amount the employee receives in his/her paycheck after the deductions have been subtracted from the gross earnings. Gross earnings are income before deductions. Overtime hours are the number of hours an employee works over his/her regular schedule. Pay rate is the amount of pay a worker earns at a set interval (e.g., an hour).

SOURCE: FI:068

SOURCE: EI

SOURCE: Heathfield, S. (2016, August 26). *Payroll deductions*. Retrieved September 25, 2017, from <https://www.thebalance.com/payroll-deductions-1918223>

37. D

Purchase. When individuals make investments, they receive purchase documents that include information about the cost of the investment and any commissions or fees that were paid. Individuals should keep these documents in their records to verify ownership and to be able to determine if it was a good investment over a period of time. For example, the purchase record would indicate the cost (perhaps it was \$25 a share), the total amount purchased (100 shares for a total of \$2,500), and a fee of \$30. By comparing the purchase records to actual value in five years, an individual will be able to decide if the investment was worthwhile. Perhaps the cost per share is \$40 a share in five years. An individual might consider this to be a good return on the investment. Deposit and credit records usually do not contain information about investments. Logistics refer to managing the flow of goods and services from production to consumption.

SOURCE: FI:069

SOURCE: SS

SOURCE: Walker, M. (2016, March 21). *How long to keep tax records and other documents*. Retrieved September 25, 2017, from <https://www.consumerreports.org/taxes/how-long-to-keep-tax-documents/>

38. B

To balance an account. Reconciling bank statements involves comparing the entries in a checkbook with the entries listed on the bank statement. This procedure is also known as balancing an account. The purpose is to determine the actual amount of money that is in the account. To do this, it may be necessary to add in deposits that have not been posted or subtract checks that have not cleared. If the checking account pays interest, that amount will be listed on the bank statement. It is not necessary to read and reconcile bank statements to withdraw excess money or to make a deposit.

SOURCE: FI:070

SOURCE: SS

SOURCE: Bragg, S. (2012, October 10). *How to reconcile a bank statement*. Retrieved September 25, 2017, from <https://www.accountingtools.com/articles/how-to-reconcile-a-bank-statement.html>

39. C

You've written checks after the covered period. Your bank statement's balance would be higher than your checkbook register if you've written checks after the covered period. An uncredited account, an automatic bill deduction, or an unrecorded bank withdrawal would not make your bank statement higher. Instead, those things may make it lower than your checkbook register.

SOURCE: FI:070

SOURCE: SS

SOURCE: Bernardo, R. (2015, June 24). *How to balance a checkbook & reconcile a bank statement*. Retrieved September 25, 2017, from <https://wallethub.com/edu/how-to-balance-a-checkbook/13769/>

40. C

\$1,416.57. To determine Anita's new balance, first calculate the final charge on the previous balance. Multiply the first \$1,200 of her previous rate by the corresponding monthly interest rate ($\$1,200 \times 2.25\% = \27.00). Then, determine how much of her balance falls into the lower interest category by subtracting \$1,200 from the total previous balance ($\$1,742.56 - \$1,200 = \$542.56$). Multiply this amount by the corresponding interest rate ($\$542.56 \times 1.25\% = \6.78). Finally, add these two finance charges together to find the total finance charge ($\$27.00 + \$6.78 = \$33.78$). Add this total finance charge to the previous balance ($\$1,742.56 + \$33.78 = \$1,776.34$). Then, add Anita's new charges to this balance ($\$1,776.34 + \$320.23 = \$2,096.57$). Finally, subtract the payment that she made to the credit card company last month to determine the new balance appearing on her credit card statement ($\$2,096.57 - \$680 = \$1,416.57$).

SOURCE: FI:071

SOURCE: CD

SOURCE: Kapoor, J.R., Dlabay, L.R., & Hughes, R.J. (2009). *Personal finance* (9th ed.) [pp. 216-221]. New York: McGraw-Hill Irwin.

41. A

Pay off your balance each month. If you must use credit cards, the most effective way to avoid excessive credit card debt is to pay off your balance each month. By paying back what you've borrowed each month, you can avoid paying interest and other costly fees. If you cannot pay off your balance each month, work to pay off high-interest credit cards first, since high-interest credit cards cost you more in the long run than low-interest cards. Choose credit cards with low limits so that you have less of an opportunity to accumulate debt. Credit card cash advances usually result in extremely high interest charges, often 20% or more. So, it is wise to avoid cash advances, rather than using them to pay debt.

SOURCE: FI:071

SOURCE: FD

SOURCE: Basco, P. (2006-2017). *7 ways to avoid runaway credit card debt*. Retrieved September 25, 2017, from <http://www.gettingacreditcard.com/article20.shtml>

42. C

Obtain a bank loan. Credit is the arrangement by which businesses can purchase now and pay later. A credit agency is a business that maintains files of credit information on individuals and businesses. It is important to make sure that credit agencies have accurate information about your credit history because other businesses purchase the reports to make decisions about extending credit or providing a loan to you. Your credit history does not necessarily affect your ability to pay your bills, your ability to declare bankruptcy, or your ability to sell assets.

SOURCE: FI:072

SOURCE: CD

SOURCE: Federal Reserve Bank of Philadelphia. (2017). *What your credit report says about you*. Retrieved September 25, 2017, from <https://www.philadelphiafed.org/consumer-resources/publications/what-your-credit-report-says>

43. D

Contact the appropriate credit bureau. Isaiah should first contact the credit bureau that gathered the information for the report to determine if the bureau made a keying error. If the credit bureau did not make a mistake, then Isaiah should contact the bank to get the information corrected. After the bank makes the correction, the credit bureau can correct his credit report. Contacting a local business association or a federal banking agency (e.g., U.S. Federal Reserve or Bank of Canada) is not an appropriate action for Isaiah to take to get his credit report changed.

SOURCE: FI:072

SOURCE: CD

SOURCE: Fair Isaac Corporation. (2001-2017). *Credit Report Q & A: How do I correct errors on my credit reports?* Retrieved September 25, 2017, from <http://www.myfico.com/crediteducation/questions/error-on-credit-report.aspx>

44. C

Shredding old bank statements. One way that thieves obtain others' personal information (e.g., bank-account numbers, credit card numbers) is by going through trash cans and dumpsters. Using a paper shredder to destroy old bank and credit-card statements makes it more difficult for thieves to obtain personal financial information. Disabling computer virus software and storing passwords on web browsers lower the computer user's security, which increases the risks associated with computer hacking. Photocopying credit card receipts is not an action that reduces the risk of identity theft.

SOURCE: FI:073

SOURCE: FD

SOURCE: Siciliano, R. (2016, September 22). *How identity thieves use your mail to profit*. Retrieved September 25, 2017, from <https://www.thebalance.com/how-identity-thieves-use-your-mail-to-profit-4065580>

45. C

Phishing. Phishing occurs when an email that appears to be from a reputable source (like your bank, a store, a credit card company, or an online auction site) is actually from a scam artist. The email might ask for personal information like account numbers, which the scammer is likely to use to access the victim's funds. Key loggers record your keystrokes, enabling someone to record your passwords and account numbers as you type them. Aaron is not the victim of key logging, a break-in, or a computer virus.

SOURCE: FI:073

SOURCE: FD

SOURCE: Grabianowski, E. (2009, April 17). *How to protect against identity theft*. Retrieved September 25, 2017, from <http://electronics.howstuffworks.com/how-to-tech/how-to-protect-against-identity-theft.htm>

46. B

Tax deductions. Tax deductions are expenses that can be subtracted from gross income. For example, working parents can deduct or subtract a certain amount of their incomes for the childcare expenses they incur while at work. Other examples of tax deductible expenses include college tuition, home mortgage interest, and charitable donations. Capital gains are taxes on earnings from the appreciation of an investment. Dividends are a portion of a company's profits that are paid to shareholders. A rebate is a part of the price that a customer pays for a good or service, which is usually offered by the product's manufacturer.

SOURCE: FI:074

SOURCE: EI

SOURCE: IRS. (2017, August 28). *Ten things to know about the child and dependent care credit*. Retrieved September 25, 2017, from <https://www.irs.gov/newsroom/ten-things-to-know-about-the-child-and-dependent-care-credit>

47. D

Lien. A lien occurs when a homeowner owes debt to someone or an organization that is not the mortgage holder. It means that when the home is sold, money from the sale is first used to pay any lien holders. A garnishment occurs when a creditor takes payment directly from a debtor's wages. Repossession occurs when a debtor does not make payments on an asset (typically a vehicle), and the loan holder takes back the asset. Debt consolidation is a process in which a consumer's debts (such as mortgage, car loan, etc.) can be combined into one monthly payment that is manageable for the consumer.

SOURCE: FI:565

SOURCE: CD

SOURCE: Colley, A. (2017, May 23). What is a lien? *An unpaid debt that could trip up your home sale*. Retrieved September 25, 2017, from <https://www.realtor.com/advice/sell/lien/>

48. C

Monthly payment schedule. Developing a monthly payment schedule can help individuals organize, manage, and pay their bills on time. Computer spreadsheets, schedule templates, and calendars are several effective ways to manage the bill-paying process. Regardless of the format used, individuals should note the payee's name, amount due, due date, date paid, and the method of payment. If writing a check, the check number should also be noted on the payment schedule. Individuals do not organize and manage their bills by using a scatter chart, a work calendar, or credit report.

SOURCE: FI:565

SOURCE: CD

SOURCE: Lohrey, J. (2013, November 19). *How to make a bill schedule*. Retrieved September 25, 2017, from <http://smallbusiness.chron.com/make-bill-schedule-76682.html>

49. C

Local bank. Local banks are typically more conservative, but they understand the needs of small-business owners. Once a positive relationship is established with a local bank, Chris can use the bank to finance short-term loans for inventory and equipment. This makes them a good choice for financing the opening of a small business. National banks are more likely to give loans to large corporations than to small start-up businesses. Insurance providers do not give out loans. A mortgage company specializes in real-estate (property) loans. There is not enough information provided about Chris's business venture to determine if he wants to purchase an existing property or build a new facility.

SOURCE: FI:075

SOURCE: SS

SOURCE: Banking Careers Info. (2015, October 21). *Types of banking institutions*. Retrieved September 25, 2017, from <https://www.bankingcareersinfo.com/types-of-banking-institutions/>

50. B

Asset-management firm. Asset-management firms invest their clients' money in different (diversified) securities by pooling assets. This is beneficial to investors who do not have the financial resources and expertise to obtain securities on their own. Asset-management firms typically manage mutual funds, hedge funds, and pension plans. An investment bank is a financial intermediary that underwrites securities and facilitates mergers. Mortgage companies process loans specifically designed for the purchase of real estate—land, residences, and other types of buildings. Certified Public Accounting firms perform independent financial audits for different types of businesses (e.g., public corporations).

SOURCE: FI:075

SOURCE: FD

SOURCE: Finance Maps of the World. (2015). *Top asset management firms*. Retrieved September 25, 2017, from <http://finance.mapsofworld.com/financial-institutions/stock-brokerage/top-asset-management-firms.html>

51. C

Fee structure. Financial-services providers are compensated in different ways. Therefore, it is important to consider the fee structure when selecting a financial-services provider to make sure the fee is affordable. Some providers may charge a flat fee while others may charge based on number and size of transactions. Some may charge for consulting time or for gathering information. Office location, tax status, and gross income are not important considerations when selecting a financial-services provider.

SOURCE: FI:076

SOURCE: FD

SOURCE: Repke, W.J. (2012, February 4). *How to select a financial services provider*. Retrieved September 25, 2017, from http://msue.anr.msu.edu/news/how_to_select_a_financial_services_provider

52. D

Education and licensure. When selecting a financial-services provider, it is important to make sure that the provider is qualified. One way to do this is to verify the provider's credentials. In many jurisdictions, financial-services providers must pass an exam to obtain a license. These credentials verify that the provider has the necessary training and background to give financial advice, help develop financial plans, and make investments. When selecting a financial planner, his/her personal goals and living expenses are not primary considerations.

SOURCE: FI:076

SOURCE: FD

SOURCE: Quinlan, C. (2014, November 18). *Your 7-step checklist to choosing a financial advisor*. Retrieved September 25, 2017, from <https://money.usnews.com/money/personal-finance/mutual-funds/slideshows/your-7-step-checklist-to-choosing-a-financial-advisor>

53. C

Money market account. A money market account is an ideal investment if you have a need for liquidity because it is easy to withdraw money from without penalty. 401(k)s, bonds, and CDs all have penalties for early withdrawal.

SOURCE: FI:279

SOURCE: IN

SOURCE: Kennon, J. (2017, January 31). *The importance of liquidity and liquid assets*. Retrieved September 25, 2017, from <https://www.thebalance.com/the-importance-of-liquidity-and-liquid-assets-356055>

54. C

Earnings per share. Dividing net income by the number of outstanding shares of common stock results in a financial ratio called earnings per share. It is *not* gross profit margin, which is calculated by dividing gross profit by sales; return on equity, which is calculated by dividing net income by book value; nor price-earnings, which is calculated by dividing stock price by earnings per share.

SOURCE: FI:280

SOURCE: IN

SOURCE: Investopedia. (2017, August 9). Earnings per share - EPS. Retrieved September 25, 2017, from <http://www.investopedia.com/terms/e/eps.asp>

55. A

Dollar cost averaging. Dollar cost averaging involves investing a fixed dollar amount in a particular investment on a regular schedule, regardless of share price. With this strategy, an investor buys more when prices are low and buys less when prices are high. The example does not illustrate diversification, growth investing, or buy-and-hold.

SOURCE: FI:283

SOURCE: IN

SOURCE: Investopedia. (2017, August 16). Dollar-cost averaging (DCA). Retrieved September 25, 2017, from <http://www.investopedia.com/terms/d/dollarcostaveraging.asp>

56. 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, either 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. (2016, July 18). *Market capitalization and a diversified portfolio*. Retrieved September 25, 2017, from <https://library.wilmingtontrust.com/investment-management/market-capitalization-and-a-diversified-portfolio>

57. C

Balance sheet. The balance sheet gives a summary of a company's financial health at a specific point in time. It contains two major sections: a listing of the company's assets and a listing of its liabilities. The liabilities section also indicates the shareholders' equity, which is the value of all the outstanding stock owned by shareholders. Shareholders' equity is determined by subtracting the liabilities from the assets. The income statement, also known as the profit-and-loss statement, shows a company's profitability over a specific period of time. The cash flow statement tracks the money that comes into and flows out of a company. An annual report is not a type of financial statement, but it does contain financial statements, along with a good deal of other information about the company.

SOURCE: FI:274

SOURCE: IN

SOURCE: Investopedia. (2017, August 10). *Balance sheet*. Retrieved September 25, 2017, from <http://www.investopedia.com/terms/b/balancesheet.asp>

58. B

IHM's most recent annual report. A company's annual report contains financial information about its performance. A publicly-traded company is required to provide investors and potential investors with its balance sheet, income statement, and cash flow statement. These three documents provide an overall snapshot of the company's financial well-being. An industry white paper, a current sales forecast, and the industry's performance and safety standards are not going to provide the financial information that Paula needs to make an informed investment decision.

SOURCE: FI:274

SOURCE: IN

SOURCE: U.S. Securities and Exchange Commission. (2014, October 15). *Annual report*. Retrieved September 25, 2017, from <https://www.sec.gov/fast-answers/answers-annreph.htm>

59. C

Price-earnings ratio. Most stock tables include the price-earnings ratio, or PE ratio for short. The price-earnings ratio is determined by dividing the last closing price of the stock by the earnings per share. Investors often study the PE ratio to get an idea of whether the stock is overvalued or undervalued, compared to competitors. The earnings per share (EPS), net income, and stockholder's equity are not typically found on the stock table. The earnings per share tells investors how much profit goes to each share of common stock. The net income is the money remaining after operating expenses are subtracted from gross profit. The stockholders' equity is equal to the assets minus liabilities.

SOURCE: FI:275

SOURCE: IN

SOURCE: Hayes, A. (2017, September 18). *Stock basics: How to read a stock table/quote*. Retrieved September 25, 2017, from <http://www.investopedia.com/university/stocks/stocks6.asp>

60. C

Stock volatility. Investors can assess stock volatility by analyzing the 52-Week HI/LO column in the stock table. This column indicates the highest and lowest prices paid during the past year. If the range between the lowest and highest prices is large, then the stock's price has risen or fallen sharply in the past year, making it a volatile, riskier stock. The rate of return or yield is determined by dividing the dividend by the actual closing price and is expressed as a percentage. The dividend is the dollar amount the investors earn on a share of stock. Previous close indicates the stock's closing price for the previous day.

SOURCE: FI:275

SOURCE: IN

SOURCE: Boyte-White, C. (2016, September 27). *What is the best measure of a given stock's volatility?* Retrieved September 25, 2017, from <http://www.investopedia.com/ask/answers/021015/what-best-measure-given-stocks-volatility.asp>

61. A

Mutual funds. Mutual funds are ownership investments in which a variety of stocks from different corporations or agencies (usually from different industries) are combined into one investment. Money market accounts are lending investments in which individuals lend a minimum amount of money to a bank to earn interest. Secure and elective are not types of investments.

SOURCE: FI:077

SOURCE: IN

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

62. C

Money market accounts, certificates of deposit, and bonds. Investments in which individuals allow borrowers to use their money for a period of time for a specified fee or rate of interest are lending investments. Money market accounts, certificates of deposit, bonds, and savings accounts are types of lending investments. Investments in which individuals purchase a portion or all of an item are called ownership investments. Collectibles, stocks, and real estate are types of ownership investments.

SOURCE: FI:077

SOURCE: IN

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

63. C

Defined contribution plan. A defined contribution plan involves people funding their retirement savings with their own money, sometimes with additional contributions from employers. A 401(k) plan is an example of this type of plan because tax-free contributions are deducted from an employee's payroll and invested in securities. They are also sometimes matched by employers. In contrast, a defined benefits plan defines the amount of retirement income that will be paid, regardless of the success of the investments made. Social Security benefits are federally funded retirement benefits. A profit-sharing plan involves employers making discretionary contributions to retirement savings, without any salary deferral or set amount of contributions.

SOURCE: FI:569

SOURCE: SS

SOURCE: InvestingAnswers. (2017). *Defined contribution plan*. Retrieved September 22, 2017, from <http://www.investinganswers.com/node/5250>

64. C

Determine your retirement income needs. The first step to planning your retirement is to determine how much income you will need. You can use your current expenses and income as a starting point. It is important to understand investment options, figure out how much you need to save, and pick the right savings tools, but first you need to know what your income needs are to make informed decisions about these three matters.

SOURCE: FI:569

SOURCE: SS

SOURCE: 360 Degrees of Financial Literacy. (2004-2017). *Retirement planning: The basics*. Retrieved September 22, 2017, from <http://www.360financialliteracy.org/Topics/Retirement-Planning/Retirement-Planning-Basics/Retirement-Planning-The-Basics>

65. B

Dilute the value of big gains on an individual stock. Too much diversification in a financial portfolio can offset big gains from one particular stock. In fact, too much diversification can lead to average performance, instead of the above-average performance investors desire. Having an over-diversified portfolio does not affect what other investors or fund managers do, nor does it prevent any stock from growing in value.

SOURCE: FI:284

SOURCE: IN

SOURCE: Investopedia. (2016, July 1). *The dangers of over-diversifying your portfolio*. Retrieved September 22, 2017, from http://www.investopedia.com/articles/01/051601.asp?optly_redirect=integrated&lgl=vtas-baseline

66. B

Refine your search. An important advantage of using a stock screener is the ability to refine your search according to specific criteria. As a tool for selecting stocks to purchase, stock screening does not promote placing quick bids, speaking with live personnel, or participating in online investing.

SOURCE: FI:284

SOURCE: IN

SOURCE: Investopedia. (2017). *Stock screeners: Overview & basics*. Retrieved September 22, 2017, from http://www.investopedia.com/articles/01/112101.asp?optly_redirect=integrated&lgl=vtas-baseline

67. B

Liability. Liability insurance protects the policyholder from claims of bodily injury or property damage caused by the policyholder's vehicle. It also pays for repairs needed as a result of the accident. Health insurance helps to pay medical bills. Whole-life insurance pays the insured's beneficiaries when the insured dies. Property insurance covers losses to real and personal property.

SOURCE: FI:081

SOURCE: RM

SOURCE: Investopedia. (2017). *Liability insurance*. Retrieved September 22, 2017, from http://www.investopedia.com/terms/l/liability_insurance.asp

68. C

\$1,039. Individuals and businesses purchase various types of insurance policies. Automobile insurance covers damages related to motor vehicles. The deductible is the amount of money the insured must pay out of pocket. After the deductible has been met, the insurance company pays the balance of the damages. To calculate the amount that the insurance company will pay, subtract William's deductible from the total amount due for the car repairs ($\$1,789 - \$750 = \$1,039$).

SOURCE: FI:081

SOURCE: RM

SOURCE: Miller, C.D., Salzman, S.A., & Clendenen, G. (2009). *Business mathematics* (11th ed.) [p. 559]. Boston: Pearson Education, Inc.

69. C

Shipment's packing slip. A packing slip is a shipper's form that usually accompanies incoming merchandise and describes the type and number of each item in the shipment. Many vendors print the packing slip's reference code on the invoice. If an employee believes the communication firm was invoiced for an incorrect item or quantities of items, s/he can compare the invoice with the corresponding packing slip to verify that the item types and quantities are the same. The communication firm's sales report and the vendor's cash-flow statement would not contain the necessary information to verify invoice accuracy. The communication firm's corresponding purchase order would help determine if a problem exists, but older purchase orders would not.

SOURCE: FI:327

SOURCE: SS

SOURCE: DuCoin, E. (2014). *Verifying accuracy on utility bills*. Retrieved September 22, 2017, from <http://www.orpicalenergy.com/verifying-accuracy-on-utility-bills/>

70. B

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 ($\$50,000 \times .149 = \$7,450$), which is less than \$10,000.

SOURCE: FI:238

SOURCE: EI

SOURCE: Carther, S. (2017). *Understanding the time value of money*. Retrieved September 22, 2017, from http://www.investopedia.com/articles/03/082703.asp?optly_redirect=integrated&lgl=vtas-baseline

71. A

\$29,770. To determine how much your investments will be worth in five years, calculate the future values of the investments. The formula used to find the future value of money is $\text{Future Value} = \text{Present Value} \times (1 + \text{Interest Rate})^{\text{Number of Years}}$. So, the future value of your first investment is equal to $\$5,000 \times (1 + 0.06)^5$. To solve this equation, first add one to the interest rate ($1 + 0.06 = 1.06$). Next, raise this sum to the fifth power, which is the same as multiplying the sum by itself five times ($1.06^5 = 1.06 \times 1.06 \times 1.06 \times 1.06 \times 1.06 = 1.3382$). Finally, multiply this product by the original amount of the first investment to find its future value ($\$5,000 \times 1.3382 = \$6,691$). Next, repeat the process for the second investment. Its future value is equal to $\$15,000 \times (1 + 0.09)^5$. First, add one to the interest rate ($1 + 0.09 = 1.09$). Then, raise this sum to the fifth power, which is the same as multiplying the sum by itself five times ($1.09^5 = 1.09 \times 1.09 \times 1.09 \times 1.09 \times 1.09 = 1.5386$). Next, multiply this product by the original amount of the second investment to find its future value ($\$15,000 \times 1.5386 = \$23,079$). Finally, add together the future values of the two investments to determine how much money you will have in five years ($\$6,691 + \$23,079 = \$29,770$).

SOURCE: FI:238

SOURCE: EI

SOURCE: Garrison, S. (1998-2017). *Time value of money: Self-paced overview*. Retrieved September 22, 2017, from <http://www.studyfinance.com/lessons/timevalue/index.mv>

72. B

Think long term and be realistic about income and expenses. When taking on debt, you need to be honest about whether you will be able to repay the debt. You have to think about whether there are anticipated changes in your income and expenses over the life of the debt that would keep you from repaying it. Impulse buying creates unmanageable debt rather than avoids it. Debt payments must be made in a timely manner. If you anticipate that timely repayment will be a problem, don't consider taking on additional debt. Although co-signers may be needed to obtain a loan, you should understand that both your credit rating and that of the co-signers will be damaged by your late payment.

SOURCE: FI:568

SOURCE: CD

SOURCE: Pareto, C. (2017). *Credit and debt management*. Retrieved September 22, 2017, from <http://www.investopedia.com/university/credit-debt-management/>

73. C

Having your children take out loans for college. Rather than using their retirement savings to pay for college loans, parents should save what they can for their children's college fund, and then have their children take out loans to pay for the difference. Credit cards should not be used to pay for short-term activities unless the amount can be paid off when the credit card bill comes in. Car leases are good to use for cars that will be kept three or four years—not 10 years. The mortgage crisis occurred because many people who were unable to repay their loans were given loans at zero percent down. This will make the monthly mortgage rate quite high. Generally, financial institutions want a down payment of 20 percent.

SOURCE: FI:568

SOURCE: CD

SOURCE: Smith, L. (2017). *Good debt vs. bad debt*. Retrieved September 22, 2017, from <http://www.investopedia.com/articles/pf/12/good-debt-bad-debt.asp>

74. C

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, Tom 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: AICPA. (2017). *Estate planning basics*. Retrieved September 25, 2017, from <http://www.360financialliteracy.org/Topics/Retirement-Planning/Estate-Planning-Basics>

75. B

A total rewards system. Total rewards systems are holistic and comprehensive compensation packages that go beyond salary. They include several forms of compensation and attractive features that make workplaces appealing to employees. Blue Diamond Co has a total rewards system because it has commission, benefits, flexible hours, and professional development. Blue Diamond Co. does not necessarily have problems with its finances or an unsustainable business model. There's not enough information provided to determine whether the company has ethical hiring practices.

SOURCE: HR:467

SOURCE: EI

SOURCE: Johnston, K. (2011, December 22). *What are the components of a comprehensive total rewards & motivation system?* Retrieved September 22, 2017, from <http://smallbusiness.chron.com/components-comprehensive-total-rewards-motivation-system-36942.html>

76. C

Nolo Legal Encyclopedia. Expertise and credibility are primary considerations when evaluating the relevance of a source. Because regulations and legal procedures are important considerations when setting up a corporation, Melissa should obtain information from a source that has legal expertise, such as Nolo Legal Encyclopedia (www.nolo.com). The *Wall Street Journal* is a print and online business publication that focuses on a wide variety of business and economic issues and trends. Because Wikipedia is an open source of information that is constantly updated, some of the information might be inaccurate or irrelevant. MarketWatch is a website that focuses on financial issues such as investing and the stock market performance.

SOURCE: NF:079

SOURCE: FD

SOURCE: Regents of the University of California. (2012, May 12). *Evaluating web pages: Techniques to apply & questions to ask*. Retrieved September 22, 2017, from <http://www.lib.berkeley.edu/TeachingLib/Guides/Internet/Evaluate.html>

77. A
Expertise and knowledge. An important consideration when evaluating the reliability of a journal article is the author's expertise and knowledge about the subject matter. Age and gender are not primary factors to consider when evaluating the reliability of a journal article that addresses a complex issue or topic.
SOURCE: NF:079
SOURCE: FD
SOURCE: Purdue Online Writing Lab. (1995-2017). *Evaluating sources: overview*. Retrieved September 22, 2017, from <https://owl.english.purdue.edu/owl/resource/553/01/>
78. D
Develop a list of red flags that signal fraud. One of the ways to prevent the risks associated with insurance fraud is to plan ahead for them. One way to do so is to develop a list of red flags that can signal fraud. Insurers can use these lists to prevent fraud before it happens. Filing a lawsuit does not combat the risk of insurance fraud; rather, it penalizes someone who has already committed fraud. It is not necessarily possible to determine which customers are likely to commit fraud, so insurers shouldn't drop customers unless they have actually violated policies. Finally, it is not realistic to suggest that insurance companies should only insure properties with minimal risk.
SOURCE: OP:187
SOURCE: RM
SOURCE: Accenture. (2013). *How to effectively fight insurance fraud*. Retrieved September 22, 2017, from <http://insuranceblog.accenture.com/wp-content/uploads/2013/08/Accenture-How-Effectively-Fight-Insurance-Fraud.pdf>
79. C
Asking your friends if the goal is worthwhile. You are not likely to achieve a goal unless you are sure that it is worth working toward. Setting a time limit, developing a plan, and keeping a written record of your progress are all steps that will help you to achieve your goal.
SOURCE: PD:018
SOURCE: FD
SOURCE: LAP-PD-016—Go for the Goal (Goal Setting)
80. C
Achieving success in life. Success has been defined as reaching the goals you have set for yourself. Without goals, you are less likely to succeed. Setting goals does not mean you can avoid everyday problems or learn how to lead others. Becoming a good example is a benefit to others rather than to the person who sets the goals.
SOURCE: PD:018
SOURCE: FD
SOURCE: LAP-PD-016—Go for the Goal (Goal Setting)
81. A
Routine decisions. Employees need to make routine decisions every day on the job. Businesses expect them to be capable of making many of these decisions on their own without asking a manager what to do. Businesses do not want to waste valuable time directing every action that employees take. They expect employees to make routine decisions that will allow them to work effectively, oftentimes with little supervision. Businesses do not expect employees to make policy changes, operating plans, or personnel choices.
SOURCE: PD:017
SOURCE: FD
SOURCE: LAP-PD-010—Weigh Your Options (Decision Making in Business)
82. B
Framing. The way information is presented to you is called framing. Input is the actual information received from others—not the way it is presented. Style is the method for including others in the decision-making process. And, logic is a way to make sense of the facts—apart from personal or outside influence.
SOURCE: PD:017
SOURCE: FD
SOURCE: LAP-PD-010—Weigh Your Options (Decision Making in Business)

83. C

Holds the kind of job you want. Interviewing someone who currently holds the kind of job you want will yield information on career paths, preparation, advantages, and disadvantages of the career. Interviewing people who hire, used to be in that position, or are executives of the company may provide an incomplete picture of the career you are interested in.

SOURCE: PD:023

SOURCE: EI

SOURCE: Kimbrell, G. (2017). *Succeeding in the world of work* (pp. 88-91). New York: Glencoe/McGraw-Hill.

84. B

Take ability assessment tests. Ability assessment tests help individuals to identify their skills and their capacity to perform certain tasks. These tests will help them to decide what type of career would be of interest to them based on their skills. For example, a person with good communication skills might be interested in a career in sales or marketing. People cannot identify tentative career interests by finding out which majors are popular or by locating high-income occupations. Counselors may be able to suggest specific occupations based on the results of an ability assessment test.

SOURCE: PD:023

SOURCE: EI

SOURCE: Kimbrell, G. (2012). *Succeeding in the world of work* (pp. 88-91). New York: Glencoe/McGraw-Hill.

85. A

License. Employees in certain professions must be licensed, which means that they must pass an examination to prove that they are qualified. The license verifies that the individual has completed the necessary training and met specific state, local, or professional requirements. Some careers that require licensing include nursing, medicine, teaching, engineering, finance, accounting, cosmetology, and child care. A sponsor is a business, individual, or organization that pays the costs of promotion. A charter, or certificate of incorporation, is a permit issued to operate as a corporation. A patent is legal protection of an invention or a process granted by government to its owners for a certain number of years.

SOURCE: PD:025

SOURCE: EI

SOURCE: LAP-PD-015—Go for It! (Careers in Business)

86. D

Marketing research. Employees who look for meaningful clues about what customers want and why they want it work in marketing research. Marketing research jobs focus on marketing activities that involve determining information needs, designing data-collection processes, collecting data, analyzing data, presenting data, and using data for marketing planning. These employees do not work in administrative services, securities and investments, or insurance. Employees working in administrative services facilitate business operations through a variety of administrative and clerical duties, including information and communication management, data processing and collection, and project tracking. The securities and investments industry consists of brokerage firms, investment banks, and stock exchanges, all of which support the flow of funds from investors to companies and institutions. The insurance industry, which exists to protect individuals and businesses from financial losses, delivers “products” that transfer risk from an individual or business to an insurance company.

SOURCE: PD:025

SOURCE: EI

SOURCE: LAP-PD-015—Go for It! (Careers in Business)

87. C

To create a positive impression by spelling words correctly. Misspelled words on a job application present a negative, careless image to potential employers. You should be prepared to check the accuracy of your spelling by taking a small dictionary with you when completing application forms. Dictionaries are not resources for addresses, phone numbers, and grammar usage. Employers are impressed with accurately completed application forms, rather than by a person's ability to look up words in the dictionary.

SOURCE: PD:027

SOURCE: EI

SOURCE: Kimbrell, G. (2012) *Succeeding in the world of work* (pp. 74-80). New York: Glencoe/McGraw-Hill.

88. A

Which days and hours they can work. Most employment applications ask individuals to indicate the days and hours that they are available to work. Many applicants are applying for part-time positions while they complete their educations and are not available to work a regular 40-hour week. Other applicants prefer to work the evening or night shifts. Prospective employers need to know when applicants are available to work in order to decide if there are openings at those times. Employment applications do not ask individuals about their personal philosophy of life. Rights and privileges on the job and fringe benefits are topics that are discussed during job interviews.

SOURCE: PD:027

SOURCE: EI

SOURCE: Kimbrell, G. (2012) *Succeeding in the world of work* (pp. 74-80). New York: Glencoe/McGraw-Hill.

89. A

Unsolicited. Many times, job seekers will send application letters to businesses that have not advertised positions available. The intention of the unsolicited letters is to explain who the applicants are, emphasize their qualifications, and make them sound appealing to the businesses. Often, businesses keep these letters on file and may contact an applicant based on the persuasiveness of his/her letter. Requested and invited letters of application are those sent in response to ads for available jobs. Letters of application are sent intentionally to get job interviews.

SOURCE: PD:030

SOURCE: EI

SOURCE: Littrell, J.J., Lorenz, J.H., & Smith, H.T. (2012). *School to career* (9th ed.) [pp. 324-346]. Tinley Park, IL: Goodheart-Willcox.

90. C

Online. Many businesses maintain job application information online which makes it possible for individuals to submit online applications. However, it is still important to write a letter of application and include the letter as part of the online application. The purpose of the letter is to express interest in a specific job and provide basic information about qualifications. When applying for jobs in person or by telephone, it is often not necessary to write a letter of application. Individuals usually do not apply for jobs indirectly.

SOURCE: PD:030

SOURCE: EI

SOURCE: Littrell, J.J., Lorenz, J.H., & Smith, H.T. (2012). *School to career* (9th ed.) [pp. 324-346]. Tinley Park, IL: Goodheart-Willcox.

91. B

The résumé contains misspelled words. Mistakes on job résumés often indicate to personnel directors that the applicants are careless and would continue that habit on the job. Applicants who provide error-free résumés are viewed more favorably by personnel directors and often have a better chance of finding jobs. Résumés and cover letters are often sent via email, so cover letters often do not include applicant's handwritten signature. Often, businesses want professional references rather than personal references. In many situations, references are not required until the applicant passes the initial screening process. A college degree does not ensure that the applicant will not make mistakes on the job.

SOURCE: PD:031

SOURCE: EI

SOURCE: Littrell, J.J., Lorenz, J.H., & Smith, H.T. *School to career* (9th ed.) [pp. 324-346]. Tinley Park, IL: Goodheart-Willcox.

92. A

Have a trusted friend or colleague proofread it. It's important to make sure your résumé is free of misspellings and grammar mistakes. Having someone proofread your résumé is one way to help make sure it's error free. You should use basic, easy-to-read fonts instead of those that are unique and eye-catching. Although it's important to use key words from the job description in your résumé, you shouldn't simply cut and paste. Doing so won't impress employers. You should not include graphics or photos in your résumé.

SOURCE: PD:031

SOURCE: EI

SOURCE: Smith, J. (2013). *6 tips for avoiding the résumé black hole*. Retrieved September 25, 2017, from <http://www.forbes.com/sites/jacquelynsmith/2013/02/05/6-tips-for-avoiding-the-resume-black-hole/>

93. D

You accidentally ran a red light and hit another vehicle. Car insurance pays for accidents that you've caused and accidental damage such as vandalism or weather-related issues. If you run a red light and get into an accident, you should file a claim with your automobile insurance company. Unless your flat tire was caused by vandalism, auto insurance will not cover it. Auto insurance also does not cover property stolen from within a vehicle; it only covers damage to the vehicle itself. Finally, auto insurance does not cover car maintenance issues such as dead batteries.

SOURCE: PD:319

SOURCE: RM

SOURCE: Esurance. (2017). *Types of car insurance coverage*. Retrieved September 22, 2017, from <https://www.esurance.com/insurance/car/coverage>

94. C

Are considered a dependent. Under many health insurance systems, children and young adults are covered by their parents' or guardians' family health insurance plans. If you are covered, you are not breaking the law. You are not necessarily required to demonstrate financial need to be covered under your parents' health insurance. Finally, you should not be excluded from receiving full healthcare benefits if you are covered under your parents' health insurance.

SOURCE: PD:320

SOURCE: RM

SOURCE: National Conference of State Legislatures Legal Research. (2016). *Dependent health coverage and age for healthcare benefits*. Retrieved September 22, 2017, from <http://www.ncsl.org/research/health/dependent-health-coverage-state-implementation.aspx>

95. B

Homeowners. Homeowners insurance covers damage to a house's structure that occur during destructive events. Roof damage during a thunderstorm would be covered under homeowners insurance. Weather insurance is usually purchased for events such as outdoor concerts and sporting events, rather than for homes. Life insurance provides a sum to a person's family upon his/her death. Liability insurance protects individuals or businesses when they are at fault.

SOURCE: PD:321

SOURCE: RM

SOURCE: Insurance Information Institute. (2017). *What is covered by standard homeowners insurance?* Retrieved September 22, 2017, from <https://www.iii.org/article/what-covered-standard-homeowners-policy>

96. B

When you have people who are dependent on you. Life insurance provides financial benefits to loved ones in the event of your death. When you have people who are financially dependent on you, you'll want to take out a life insurance policy to ensure that they are taken care of. Age and/or property ownership do not dictate whether or not you need life insurance. Finally, if you have no debt, you are actually less likely to need life insurance than if you have debt because the insurance could be used to pay off your debt in the event of your death.

SOURCE: PD:323

SOURCE: RM

SOURCE: Nerdwallet. (2015, September 1). *When should I take out life insurance?* Retrieved September 22, 2017, from <https://www.nerdwallet.com/ask/question/when-should-take-out-life-insurance-35340>

97. A

Day order. Placing a day order lets a broker know that the order will expire at the end of the trading day. If it goes unfilled and the investor still wants it to be executed, the investor will have to place the order again the next day. A good 'til canceled order lets a broker know the order should remain active until the investor terminates it. A fill-or-kill order lets a broker know to cancel an order if it cannot be executed immediately. 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: Folger, J. (n.d.) *Introduction to order types: Duration*. Retrieved September 25, 2017, from <http://www.investopedia.com/university/intro-to-order-types/duration.asp>

98. B

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: Folger, J. (n.d.) *Introduction to order types: Duration*. Retrieved September 25, 2017, from <http://www.investopedia.com/university/intro-to-order-types/duration.asp>

99. A

Protection. Consumer protection attempts to make the consumption of goods and services less risky for the ultimate users of products. In our free market economy, consumers have the right to be protected. If businesses do not try to protect consumers from unsafe products, then government agencies will enforce laws that require businesses to do so. Consumer spending is the total amount of money that is spent on products that are obtained for personal use. Consumer confidence is the faith that ultimate product users have in a business and/or its products. Consumer marketing involves all activities that help to make goods available to ultimate product users.

SOURCE: PM:017

SOURCE: FD

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

100. A

Owners often use business plans as a tool to help them achieve their objectives. The business plan is a written document that outlines each area of the business and the strategies it will use to accomplish business goals. The document helps business owners and managers to carry out and monitor objectives and evaluate the accomplishments and outcomes. Lending institutions usually like to review a company's business plan because it helps them weigh the risks associated with the applicant's loan. An operating plan provides information regarding facilities, manufacturing processes, personnel, and materials needed to produce products. All types of businesses should develop business plans, including sole proprietorships, partnerships, corporations, and hybrids.

SOURCE: SM:007

SOURCE: EI

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