



SAMPLE EXAM

PERSONAL FINANCIAL LITERACY

THE PERSONAL FINANCIAL LITERACY EXAM IS USED
FOR THE FOLLOWING EVENT:

PERSONAL FINANCIAL LITERACY **PFL**

These test questions were developed by the MBA Research Center. Items have been randomly selected from the MBA Research Center's Test-Item Bank and represent a variety of instructional areas. Performance indicators for these test questions are at the prerequisite, career-sustaining, and specialist levels. A descriptive test key, including question sources and answer rationale, has been provided.

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1. Businesses usually are unable to enter into legally binding contracts with
 - A. minors.
 - B. senior citizens.
 - C. foreigners.
 - D. tourists.
2. What type of information do truth in lending laws typically require lenders to provide to loan applicants?
 - A. The lender's current liabilities
 - B. Scoring system used to evaluate credit
 - C. Copy of their credit report
 - D. Annual percentage rate charged
3. In many countries, there are laws in place to protect consumers from unfair credit practices such as
 - A. adhering to standardized procedures that are transparent and understandable.
 - B. banning debt collectors from threatening consumers that owe money.
 - C. discriminating against certain demographics when reviewing applications for credit.
 - D. providing the terms and conditions of credit agreements in clear language.
4. One of the aims of regulating the insurance industry is to
 - A. make coverage more exclusive.
 - B. raise insurance prices.
 - C. create challenges for insurance agents.
 - D. reduce the risk of gaps in coverage.
5. A classic investment scam that uses contributions from new investors to simulate high returns to current investors is called
 - A. a pyramid scheme.
 - B. affinity fraud.
 - C. phishing.
 - D. pump and dump.
6. Regulatory agencies in the security and investment industry aim to keep markets fair by
 - A. banning illegal insider trading.
 - B. requiring corporate taxes.
 - C. preventing hiring discrimination.
 - D. prohibiting misleading advertisements.
7. When providing services to clients, financial professionals have the responsibility to supply
 - A. accurate information.
 - B. payment options.
 - C. credit counseling.
 - D. bank statements.
8. Which of the following statements about economic resources is true:
 - A. Economic resources are the outputs of production.
 - B. All natural resources can be replaced.
 - C. Economic resources are considered consumer goods.
 - D. All economic resources are limited.
9. Economics is concerned primarily with evaluating alternatives and
 - A. producing goods and services.
 - B. financing the national debt.
 - C. increasing foreign trade.
 - D. making economic decisions.
10. What usually decreases as the rate of inflation increases?
 - A. Purchasing power
 - B. Interest rates
 - C. Export quotas
 - D. Money supply
11. Besides having a clear understanding of what you want from negotiation, it is important to also know
 - A. what the other person wants.
 - B. how long negotiation is expected to take.
 - C. how many people you will be negotiating with.
 - D. who will be required to implement the outcome of the negotiation.
12. One-time startup costs often include _____ fees.
 - A. website maintenance
 - B. shipping and postage
 - C. trade association
 - D. incorporation

13. Ben is hoping to start his own digital marketing business. Which of the following expenditures would fall under the category of "professional fees" when Ben is estimating the costs of starting his company:
- A. A trademark for his company logo
 - B. Inventory and raw materials
 - C. Computer hardware and software
 - D. Insurance and business permits
14. When using a debit card to pay for goods and services, the funds are electronically transferred from a(n)
- A. expense or interest account.
 - B. savings or checking account.
 - C. checking or credit account.
 - D. interest or savings account.
15. Matthew received a loan for \$20,000 from a financial institution to help him pay for his college education. The loan is helping him cover the cost of his tuition while he is in school, and when he graduates, he will repay the financial institution. This is an example of which form of financial exchange?
- A. Credit
 - B. Cash
 - C. Debit
 - D. Bitcoin
16. The yen, peso, and euro are types of
- A. dollars.
 - B. bonds.
 - C. stock.
 - D. money.
17. Which of the following is a source of unearned income:
- A. Commissions
 - B. Wages
 - C. Fees
 - D. Dividends
18. Compound interest helps build wealth by
- A. decreasing the principal amount on loans.
 - B. providing you with immediate cash.
 - C. increasing the value of your money over time.
 - D. qualifying you for federal grants.
19. If you purchase a car, which type of credit are you most likely to use?
- A. Budget
 - B. Regular
 - C. Installment
 - D. Revolving
20. Which of the following is a cost of credit:
- A. Finance charges
 - B. Discounts
 - C. Fidelity bonds
 - D. Rebates
21. A service that allows customers to buy merchandise and use it before paying for it is called a _____ sale.
- A. cash
 - B. charge
 - C. COD
 - D. layaway
22. 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. proposal.
 - B. warranty.
 - C. contract.
 - D. referral.
23. Kevin bought a refrigerator at a home improvement store. When it was delivered to his home, he discovered that there were faulty parts. Which of the following should he do first:
- A. Call the refrigerator company's headquarters
 - B. Contact the place of purchase
 - C. Seek an arbiter
 - D. Take legal action
24. Which of the following statements about retirement is true:
- A. You can depend on government assistance for your living expenses.
 - B. You have plenty of time to start saving for retirement.
 - C. Saving even a little bit each month will help.
 - D. You will be in retirement only about 15 years.

25. Margot wants to be sure that when she dies, her money, house, and cars will go to her sister. Margot should create a
- A. will.
 - B. retirement fund.
 - C. college savings fund.
 - D. bank account.
26. Using a credit card is
- A. a privilege reserved for working adults.
 - B. a good way to pay for impulsive purchases.
 - C. an inexpensive way to borrow money for an extended period.
 - D. like getting a free loan if you pay the balance each month.
27. It is important to regularly track and analyze your budget because
- A. it is important to set financial goals.
 - B. fixed expenses are constantly changing.
 - C. your income should remain steady.
 - D. changes in your life can affect your spending.
28. Justine's rich uncle wants to give her \$5,000 toward the purchase of a car. But since Justine doesn't plan to buy the car for at least another year, her uncle told her that she can have the money now, or he can wait and give her the money when she actually buys the car. Justine chooses to take the money now and deposit it in her savings account. After all, her deposit will yield 6% interest compounded annually. A year from now, her \$5,000 will be worth \$5,300. What financial concept does this scenario illustrate?
- A. Time value of money
 - B. Dividend reinvestment plan
 - C. Capital budgeting
 - D. Accrual accounting
29. Which of the following is a common benefit of investing in a retirement savings plan:
- A. Free vacations
 - B. Increased salary
 - C. Tax advantages
 - D. Job security
30. Cassidy is trying to determine her personal net worth. She owes \$3,000 in credit card debt. She has \$5,000 in savings and an heirloom diamond ring worth \$2,000. What is her net worth?
- A. \$3,000
 - B. \$7,000
 - C. \$4,000
 - D. \$11,000
31. Roy just bought a home. He paid 20% in cash, but he will be paying back the rest in increments over the next 30 years. How do these mortgage payments impact his net worth?
- A. They are an asset, so they increase his net worth.
 - B. They are a liability, so they reduce his net worth.
 - C. They do not impact his net worth.
 - D. They are used to measure his net worth.
32. Craig recently opened a new credit card account. Since he's short on cash, he decides to make only the minimum payments toward his debt each month. At the end of the year, however, he notices that his overall balance has gone up quite a bit. This is a result of
- A. income tax.
 - B. the cost of credit.
 - C. social security.
 - D. Craig's credit score.
33. On Samantha's first pay stub, she sees that her gross pay is \$150.00, and her net pay is \$125.00. When she cashes her check, she will have _____ that she can deposit into her bank account.
- A. \$125.00
 - B. \$150.00
 - C. \$275.00
 - D. \$25.00
34. When writing a check, why should you write out the check's amount in words as well as in numeric form?
- A. The amount in words gives the purpose for the check.
 - B. The amount in words verifies who can cash the check.
 - C. The amount in words specifies the bank's routing number.
 - D. The amount in words is used if the numerals are unclear.

35. Which of the following is an important type of financial record that individuals should maintain in order to manage their finances:
- A. Product warranty
 - B. Cashier's check
 - C. Insurance policy
 - D. Travel report
36. When reconciling a bank statement, you use check marks to do which of the following:
- A. Void the checks you have ruined.
 - B. Correct the deposits you have missed.
 - C. Identify the items you have compared.
 - D. Total the interest you have received.
37. Caitlin has three credit cards. She receives her credit card statement for one of the cards and has to decide how to pay the \$500 she spent with that card. To pay the least for use of the credit, she should pay with _____ and make the _____ payment.
- A. cash; full
 - B. cash; minimum
 - C. another card; full
 - D. another card; minimum
38. On January 3, Anna mailed her credit card payment, which was due on January 5. The credit card issuer received the payment on January 7. What most likely appeared on Anna's credit card statement the following month?
- A. Application charge
 - B. Late fee
 - C. Processing charge
 - D. Over-limit fee
39. If three employees have the same level of ability and competence, what factor might a business use to decide which one to promote?
- A. Tenure
 - B. Gender
 - C. Age
 - D. Seniority
40. Individuals can verify the accuracy of their credit histories by reviewing a _____ that is obtained from a _____.
- A. credit report; credit bureau
 - B. bank statement; financial institution
 - C. lending statement; tax agency
 - D. credit certificate; credit union
41. Immediately contacting the credit card company if a credit card is lost is one way to protect against
- A. identity theft.
 - B. excessive penalties.
 - C. financial risk.
 - D. high interest rates.
42. Which of the following actions is most likely to put you at risk of credit card fraud:
- A. Traveling to another country
 - B. Giving your ATM card to a bank teller
 - C. Using an unsecured wireless network
 - D. Carrying your driver's license
43. When preparing a personal income tax form, parents report some of their child care expenses to receive
- A. tax rebates.
 - B. capital gains.
 - C. dividends.
 - D. tax deductions.
44. What should Felicity do to calculate her personal net worth?
- A. Subtract her liabilities from her assets
 - B. Add her assets to her liabilities
 - C. Subtract her assets from her liabilities
 - D. Add her liabilities to her assets
45. Imagine that your uncle is lending you \$10,000 at a simple annual interest rate of 5% so that you can start your own business. You agree to repay your uncle in one lump sum at the end of 10 years. How much will you owe your uncle at that time?
- A. \$500
 - B. \$15,000
 - C. \$10,000
 - D. \$5,000
46. Nina needs to buy her textbooks for college. Instead of getting them from the school bookstore, she finds a way to rent them online for much less money. Nina is
- A. impulse buying.
 - B. comparison shopping.
 - C. a victim of a scam.
 - D. investing rather than saving.

47. What do bond yields typically do during an economic expansion?
- A. Remain unchanged
 - B. Gradually decrease
 - C. Drop to near zero
 - D. Increase
48. Which of the following is an advantage of using an online brokerage firm:
- A. Many additional financial products and services
 - B. Personal guidance from a live broker
 - C. 24-hour account access
 - D. High commissions
49. When shopping for an investment broker, which of the following things should you always do:
- A. Disclose how much money you have to invest.
 - B. Run a background check.
 - C. Choose the same broker as your parents.
 - D. Read the broker's advertisements.
50. What does the property and equipment category on a balance sheet commonly include?
- A. Goodwill
 - B. Equity
 - C. Cash
 - D. Buildings
51. If a publicly traded corporation has a positive cash flow, you can assume that it will likely
- A. become less liquid.
 - B. go into debt.
 - C. pay dividends.
 - D. increase net income.
52. If you are investing for a goal that you hope to reach within three years, you are investing for a(n)
- A. short-term time horizon.
 - B. intermediate-term time horizon.
 - C. long-term time horizon.
 - D. risk-tolerant time horizon.
53. Alex wants to conduct a fundamental analysis of a company's stock. What information does he need to examine?
- A. All internal and external business factors
 - B. The stock's past performance
 - C. Economic factors that may impact its value
 - D. The company's financial reports
54. Which of the following is essential for making wise investment decisions:
- A. Knowledge
 - B. Intelligence
 - C. Age
 - D. Wealth
55. What is the main purpose of diversifying investments?
- A. To avoid penalty fees
 - B. To reduce risk
 - C. To increase liquidity
 - D. To eliminate income tax
56. What is an example of an internal stock information resource?
- A. Brokerage firm research
 - B. The Value Line Investment Survey®
 - C. A company's annual report
 - D. A financial website portal
57. A potential investor can assess a stock's volatility by comparing the highest paid price in the past 52 weeks with the
- A. estimated dividends.
 - B. rate of return.
 - C. price-earnings ratio.
 - D. lowest paid price in the past 52 weeks.
58. Jessica wants to evaluate the rate of return for a particular stock. What component of the stock table should she review?
- A. Ticker
 - B. Volume
 - C. Yield percentage
 - D. Net change

59. The purpose of the risk pyramid is to show a comparison of
- A. one investment to another.
 - B. one stock to another.
 - C. corporate bonds to municipal bonds.
 - D. stocks to stock mutual funds.
60. Why is it important for individuals to establish investment goals?
- A. To achieve plans for the future
 - B. To buy common stock
 - C. To reduce overall debt
 - D. To borrow capital
61. What type of retirement plan gives employees little control but guarantees a specific amount for employees?
- A. Defined contribution
 - B. Defined benefit
 - C. 401(k)
 - D. Social Security
62. An important advantage of using a stock screener is the ability to
- A. speak with a live person.
 - B. place a quick bid.
 - C. refine your search.
 - D. participate in online investing.
63. When John was injured in an auto accident on his way to work, what kind of insurance paid his hospital bill?
- A. Life
 - B. Disability
 - C. Term
 - D. Health
64. Collin's old car has very little value, and he is not concerned with replacement costs. What type of car insurance coverage should he purchase?
- A. Gap insurance
 - B. Collision
 - C. Liability
 - D. Comprehensive
65. What should you do first if you think there is an error in one of your bills?
- A. Pay the bill and hope the error is resolved on the next bill.
 - B. Refuse to pay the bill.
 - C. Call the company and ask them to review the charges.
 - D. File a lawsuit against the company.
66. Rhea is 20 years old, and she wants to buy a house by the time she is 40 years old. Ideally, she'd like to invest a lump sum now and watch it grow over time, at an interest rate of 5% annually, until she has enough to make a down payment of \$40,000 on the home. What is the minimum amount (rounded up to the nearest dollar) she should invest now to reach her goal in 20 years?
- A. \$15,095
 - B. \$4,193
 - C. \$20,000
 - D. \$8,000
67. What is good advice to follow to avoid excessive debt?
- A. Use cosigners on loans so that they can be held responsible for excessive debt.
 - B. Engage in impulse buying to avoid unmanageable debt.
 - C. Notify creditors immediately when you know your payments will be late.
 - D. Think long term and be realistic about income and expenses.
68. Which of the following is a question you should ask yourself when determining how your assets will be managed after your death:
- A. When will I be able to buy a house?
 - B. How much can I contribute to my 401(k)?
 - C. How much can I spend each month on groceries?
 - D. Who will oversee the terms of my will?

69. Robert and Martha are an elderly couple with three children and nine grandchildren. When they pass away, their three children will each inherit one third of Robert and Martha's assets. In other words, the couple's children are _____ of their parents' will.
- A. arbitrators
 - B. executors
 - C. directors
 - D. beneficiaries
70. Mia's loan application was rejected. Which of the following is the most likely reason why her application was rejected:
- A. She does not have any debt.
 - B. Her credit score is too low.
 - C. Her income level is too high.
 - D. The loan officer disliked her.
71. Arial is a high school student working 10 hours a week at a part-time job. She wants to buy her first car. She has \$1,000 saved for a down payment and plans to obtain a car loan for the remaining purchase price. What should she do first?
- A. Test drive several used car models
 - B. Research a new car model that she likes
 - C. Get preapproved for a car loan
 - D. Determine how much debt she can afford
72. 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. unethical hiring practices.
 - B. problems with its finances.
 - C. an unsustainable business model.
 - D. a total rewards system.
73. The purpose of filing an insurance claim is to obtain
- A. profit from the premium.
 - B. discounts on the deductible.
 - C. dividends on the investment.
 - D. compensation for the loss.
74. An overall purpose of establishing goals is to increase your chances of
- A. enlarging your income.
 - B. achieving immediate success.
 - C. satisfying your wants.
 - D. avoiding making mistakes.
75. A step in choosing a goal is selecting a _____ for the goal.
- A. daily schedule
 - B. substitution
 - C. vague reason
 - D. time limit
76. Which of the following should you do when you fail to reach a goal:
- A. Give up goal setting.
 - B. Find someone to blame.
 - C. Congratulate yourself.
 - D. Find out what went wrong.
77. Which of the following is an example of an extensive decision:
- A. How you'll pack your lunch
 - B. What shoes you'll wear today
 - C. Which job you'll take
 - D. Where you'll hang out after school
78. Which of the following best describes a decision-making model:
- A. The best way to solve a problem
 - B. An easy way to select an alternative
 - C. An organized way to make a decision
 - D. A good way to reach an objective
79. Jacob is interested in pursuing a specific business career and sets up a time to talk with a person who works in his field of interest. Jacob is obtaining career information by initiating a(n)
- A. exploratory interview.
 - B. internship.
 - C. discussion forum.
 - D. job evaluation.
80. When considering employment opportunities in business, it is important to remember that each career option varies in terms of earning potential, skills, and _____ requirements.
- A. educational
 - B. gender
 - C. intensity
 - D. health

81. What do people usually take into consideration when identifying occupations that they want to pursue in life?
- A. Social attitude
 - B. Personal conduct
 - C. Mental health
 - D. Natural talent
82. Why do individuals often take aptitude tests and fill out self-assessment questionnaires?
- A. To determine intelligence levels
 - B. To complete industry surveys
 - C. To identify occupational interests
 - D. To monitor performance reviews
83. Which of the following is a career area in business:
- A. Entertainment
 - B. Health care
 - C. Marketing
 - D. Mathematics
84. Young people often locate their first jobs in the community by responding to businesses that have
- A. advertised in trade journals.
 - B. hired employment agencies.
 - C. posted help-wanted signs.
 - D. conducted professional searches.
85. When completing job applications, the applicants should sign their
- A. last names first.
 - B. favorite nicknames.
 - C. initials only.
 - D. proper names.
86. What is one of the main reasons for writing a cover letter?
- A. To organize thoughts
 - B. To attract attention
 - C. To give detailed data
 - D. To describe activities
87. Why are most resumes set up with a job or career objective as the first item on the resume?
- A. To show the employer the applicant's level of creativity
 - B. To call the job applicant's goals to the employer's attention
 - C. To give the job applicant a chance to make a statement
 - D. To demonstrate the job applicant's ability to express themselves
88. Which of the following is a banking service that allows customers to pay their bills without any paper money exchanging hands:
- A. Certificates of deposit
 - B. Debt consolidation
 - C. Lines of credit
 - D. Electronic funds transfer
89. When considering loan products for higher education, most finance professionals encourage students to pursue federal loans first because
- A. they generally have the lowest interest rates.
 - B. private loans are almost nonexistent.
 - C. federal loans are the most challenging to be approved for.
 - D. they usually do not need to be repaid.
90. If you are covered under your parents' health insurance, you
- A. won't receive full benefits.
 - B. are breaking the law.
 - C. must have financial need.
 - D. are considered a dependent.
91. It is a good idea to purchase life insurance as a young adult because
- A. it takes time for the policy to become active.
 - B. younger people pay lower premiums.
 - C. policies have limited time periods.
 - D. young people often have dependents.
92. Which of the following is likely to be covered under long-term care insurance:
- A. Expenses associated with funeral services
 - B. Bills for emergency surgery
 - C. Home modifications such as ramps
 - D. Costs of home repairs after a fire

93. To avoid accumulating unmanageable debt, you should
- A. avoid buying anything except necessities.
 - B. pay your credit card balance in full.
 - C. purchase expensive items using credit.
 - D. spend your monthly paycheck immediately.
94. Maggie wants to buy stock in PepsiCo, but only when the price drops to a certain amount. She is interested in placing a _____ order.
- A. market
 - B. limit
 - C. stop
 - D. trade
95. 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. spending.
 - B. protection.
 - C. marketing.
 - D. confidence.
96. Which of the following factors is most likely to increase a policyholder's car insurance premium?
- A. Owning an inexpensive used car
 - B. Receiving one or more driving violations
 - C. Living in a rural community
 - D. Driving a short distance to work
97. What component of homeowners insurance covers structural damage caused by fire?
- A. Personal property
 - B. Dwelling
 - C. Liability
 - D. Living expenses
98. A primary characteristic of a whole life insurance policy is that it
- A. covers the insured for a time period of 25 years.
 - B. accumulates cash value over time.
 - C. covers only the insured's burial expenses.
 - D. requires policyholders to pay low premiums annually.
99. Everett is purchasing his first car. What can he do to negotiate a good deal?
- A. Be combative
 - B. Research ahead of time
 - C. Leave terms open
 - D. Agree with the salesperson
100. Which of the following statements is true regarding business plans:
- A. Lending institutions do not usually require loan applicants to submit a business plan.
 - B. The operating plan details information regarding the business's services.
 - C. Owners often use business plans as a tool to help them achieve their objectives.
 - D. A corporation is the only legal form of business ownership that should develop a business plan.

1. A

Minors. Businesses usually are prevented from entering into legally binding contracts with certain groups of people because these people are not considered to have the capacity to understand the consequences of their actions. One of these groups includes minors, those people under the legal age. In most cases, minors cannot enter into legally binding contracts because they are not old enough to be responsible for the consequences. Businesses usually may enter into legally binding contracts with people who are adults, older than the legal age, regardless of whether they are foreigners, senior citizens, or tourists.

SOURCE: BL:002

SOURCE: FD

SOURCE: Murray, J. (2020, December 29). *The basics of business contracts and agreements*. Retrieved August 30, 2021, from <https://www.thebalancesmb.com/basics-of-business-contracts-and-agreements-397811>

2. D

Annual percentage rate charged. Truth in lending laws typically require lenders to reveal the true cost of a loan by providing information about interest rates and total repayment amounts. Lenders are not required to reveal their actual credit scoring system. Lenders are not required to provide copies of a consumer's credit report. Lenders are not required to provide their current liabilities to loan applicants.

SOURCE: BL:071

SOURCE: CD

SOURCE: Mangis, L. (2017, December 19). *Consumer credit laws and what you need to know about them*. Retrieved August 30, 2021, from <https://www.advantageccs.org/blog/consumer-credit-laws-and-what-you-need-to-know-about-them>

3. C

Discriminating against certain demographics when reviewing applications for credit. Many countries have consumer credit protection laws in place to prevent debtors from being treated unfairly by creditors. For example, in the United States, the Equal Credit Opportunity Act requires banks and credit card companies to make credit equally available to all credit-worthy applicants regardless of race, color, religion, national origin, sex, marital status, or age. Banning debt collectors from threatening consumers that owe money, adhering to standardized procedures, and providing clear terms and conditions are all examples of fair credit practices—not unfair practices.

SOURCE: BL:071

SOURCE: CD

SOURCE: Fay, B. (2021, July 13). *The federal consumer credit protection act & how it protects you*. Retrieved August 30, 2021, from <https://www.debt.org/credit/your-consumer-rights/protection-act/>

4. D

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: National Association of Insurance Commissioners. (n.d.). *State insurance regulation: History, purpose, and structure*. Retrieved August 30, 2021, from https://www.naic.org/documents/consumer_state_reg_brief.pdf

5. A

A pyramid scheme. A pyramid scheme, also called a Ponzi scheme, relies on cash from new investors to pay returns to current investors. Affinity fraud is when someone fraudulently claims to be a member of the same ethnic, religious, career, or community group in order to gain a potential investor's trust. Phishing is spam email that encourages people to reveal banking, brokerage, and other personal information that is then used to access accounts. Pump and dump refers to the practice of buying a stock when the price is low, "pumping" up the price by giving the company positive press, and then selling the stock at a profit.

SOURCE: BL:104

SOURCE: IN

SOURCE: Bloomenthal, A. (2021, June 29). *What is a pyramid scheme?* Retrieved August 30, 2021, from <https://www.investopedia.com/articles/04/042104.asp>

6. A

Banning illegal insider trading. Illegal insider trading occurs when a person sells or buys a security because of knowledge that is not public. This activity is illegal because it would be unfair for certain people to base decisions on knowledge that the general public does not have. By banning this practice, the market is fairer. Corporate taxes, hiring discrimination, and misleading advertisements are not related to the securities and investments industry.

SOURCE: BL:105

SOURCE: IN

SOURCE: U.S. Securities and Exchange Commission. (2020, December 18). *What we do*. Retrieved August 30, 2021, from <https://www.sec.gov/Article/whatwedo.html#laws>

7. A

Accurate information. Financial professionals often invest money for clients. As a result, they should provide clients with accurate information about the performance of possible investments. Some investments are more secure than others. Those clients who do not want to take risks should know which investment options are the safest. Financial professionals have this information and should supply it to clients. Financial professionals do not necessarily offer payment options. Not all financial professionals supply credit counseling. Financial professionals usually do not supply clients with bank statements.

SOURCE: CR:012

SOURCE: FD

SOURCE: Hicks, C. (2021, July 1). *What does a financial advisor do?* Retrieved August 30, 2021, from <https://money.usnews.com/financial-advisors/articles/what-does-a-financial-advisor-do>

8. D

All economic resources are limited. Economic resources are items that can be used to produce goods and services, and they are in limited supply. The categories of economic resources are natural resources, human resources, and capital goods. Some natural resources, such as forests, can be replaced, but others, such as oil or coal, cannot. Consumer goods are products that are purchased and consumed by their ultimate users. Economic resources are the inputs of production.

SOURCE: EC:003

SOURCE: FD

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

9. D

Making economic decisions. Economics is the process of deciding how to obtain the greatest satisfaction with limited incomes, land, property, and natural resources. Foreign trade, production, and financing the national debt are activities that require ongoing economic evaluation and decision-making.

SOURCE: EC:001

SOURCE: FD

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

10. A

Purchasing power. Purchasing power is a consumer's ability to purchase goods and services. The rate of inflation, the percentage of change in price levels, has a major effect on purchasing power because when inflation is high, a dollar will not buy as much. For example, if the rate of inflation increases from last year to this year, \$1.00 will buy less this year than it did last year. If inflation increases and incomes stay the same, people will lose purchasing power and not be able to buy the same amount of goods and services. Money supply is the total quantity of money that exists at one time in a nation. The interest rate is the percentage figure used in calculating interest charges. Export quotas are the restrictions on the quantity of goods that can move out of a country.

SOURCE: EC:083

SOURCE: FD

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

11. A

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-062—Make It a Win-Win (Negotiation in Business)

12. D

Incorporation. Some of the expenses that an entrepreneur must pay during the startup phase are one-time costs, while other costs are ongoing. An example of a one-time cost is an incorporation fee, which an entrepreneur must pay if they choose to incorporate their new business. Trade association membership fees, shipping and postage costs, and website maintenance are typically routine, ongoing expenses that the business must pay on a regular basis.

SOURCE: EN:009

SOURCE: EI

SOURCE: SmallBusiness.com. (2018, October 13). *Starting a small business*. Retrieved August 30, 2021, from https://wiki.smallbusiness.com/wiki/Starting_a_small_business

13. A

A trademark for his company logo. There are various cost categories associated with starting a new business, including the cost of sales, professional fees, technology costs, administrative costs, sales and marketing costs, and wages and benefits. Professional fees include legal costs, such as the costs associated with obtaining patents and trademarks. Inventory and raw materials fall under the cost of sales category. Computer hardware and software fall under the technology category. Insurance and business permits are administrative costs.

SOURCE: EN:009

SOURCE: EI

SOURCE: Morah, C. (2021, May 13). *Business startup costs: It's in the details*. Retrieved August 30, 2021, from <https://www.investopedia.com/articles/pf/09/business-startup-costs.asp>

14. B

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

SOURCE: FI:058

SOURCE: SS

SOURCE: Federal Trade Commission. (n.d.). *Using debit cards*. Retrieved August 30, 2021, from <https://www.consumer.gov/articles/1004-using-debit-cards>

15. A

Credit. Credit is borrowed money that individuals can use to purchase goods and services when they need them. You get credit from a credit grantor, whom you agree to pay back for the total cost of the amount you spent (plus applicable interest charges) at an agreed-upon time. Matthew received \$20,000 in credit from a financial institution to pay for college. He benefits from this credit because without it he may not be able to afford tuition. This example does not demonstrate the use of cash, debit, or bitcoin.

SOURCE: FI:058

SOURCE: SS

SOURCE: Akin, J. (2019, October 3). *What is credit?* Retrieved August 30, 2021, from <https://www.experian.com/blogs/ask-experian/credit-education/faqs/what-is-credit/>

16. D

Money. Money is the most common medium of exchange. Countries use different forms of currency (money). For example, Japan uses the yen, Mexico uses the peso, many European countries use the euro, and the United States and Canada use the dollar. A bond is a lending security, and stock is an ownership security.

SOURCE: FI:059

SOURCE: SS

SOURCE: Phelps, C.D. (2017, September 26). *Types of foreign currency*. Retrieved August 30, 2021, from <https://pocketsense.com/types-of-foreign-currency-13636193.html>

17. D

Dividends. Unearned income is money obtained from non-employment-related sources. Dividends are sums of money paid to an investor or stockholder as earnings on an investment and are one way of obtaining unearned income. Other examples of unearned income are financial gifts such as a trust fund or inheritance. Wages are money payments for labor on an hourly, daily, or weekly basis. A commission is a percentage of the total sale amount paid to the individual or business that makes the sale. Fees are charges that customers pay for services that businesses offer. Fees are earned income for businesses and expenses for their customers.

SOURCE: FI:061

SOURCE: EI

SOURCE: Tatum, M. (n.d.). *What is unearned income?* Retrieved August 30, 2021, from <https://www.wise-geek.com/what-is-unearned-income.htm>

18. C

Increasing the value of your money over time. Compound interest can be thought of as “interest on interest” and will make a sum grow at a faster rate than simple interest, which is calculated only on the principal amount. Compound interest helps build wealth because it increases the value of your money over time, and it does so at a faster rate than simple interest. Compound interest does not provide you with immediate cash; it still takes time for compound interest to accrue once you deposit your initial funds. Compound interest does not decrease the principal amount on your loans or qualify you for federal grants.

SOURCE: FI:062

SOURCE: EI

SOURCE: Fernando, J. (2021, February 16). *Compound interest*. Retrieved August 30, 2021, from <https://www.investopedia.com/terms/c/compoundinterest.asp>

19. C

Installment. Installment credit is commonly used to purchase large, expensive items such as cars. The title for an item purchased on installment credit is made out in the name of the credit user; however, the seller retains a claim on the title until all of the payments have been made. Regular credit accounts are used to obtain small-ticket items during a set period of time, usually 30 days. Budget credit accounts advertise credit terms such as “90 Days Same as Cash.” Revolving credit accounts involve setting a credit limit and paying the amount due each month or making minimum monthly payments on the account.

SOURCE: FI:002

SOURCE: SS

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

20. A

Finance charges. Finance charges are the interest charged on credit accounts that are not paid in full at the end of each month. Discounts are cash deductions that are often provided as an incentive for early payment of an account. Fidelity bonds are a type of insurance that protects businesses from losses due to employee theft. A rebate is a return of part of the price a customer pays for a good or service, which is usually offered by the manufacturer of the good.

SOURCE: FI:002

SOURCE: CD

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

21. B

Charge. When customers buy on credit, they charge the merchandise to their accounts and pay for it later. Charge account customers are often favored by retailers because a good debtor-creditor relationship tends to play a key role in maintaining customer relationships. COD (collect/cash on delivery) sales occur when a customer pays for an item upon delivery. A cash sale occurs when customers pay for merchandise with money or the equivalent (check, money order, etc.). If a business withdraws an item from stock and holds it in storage for a customer, it is a layaway sale.

SOURCE: FI:002

SOURCE: SS

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

22. C

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 include 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: CD

SOURCE: Fay, B. (2020, November 30). *What is a loan agreement?* Retrieved August 30, 2021, from <https://www.debt.org/credit/loans/contracts/>

23. B

Contact the place of purchase. Most merchants are eager to work with customers to resolve disputes about sales. This is also the remedy that consumes the least amount of time. If the dispute is not resolved, his next step should be to contact the home improvement store's company headquarters (not the refrigerator company's headquarters) and speak to someone there. If the dispute is still not resolved, then he should seek a third party to arbitrate the situation. If all of these steps fail, he should take legal action against the home improvement store.

SOURCE: FI:063

SOURCE: SS

SOURCE: Jespersen, C. (2019, October 4). *4 things to do if your package arrives damaged*. Retrieved August 30, 2021, from <https://www.nerdwallet.com/article/finance/delivery-comes-damaged>

24. C

Saving even a little bit each month will help. Even a small amount of money, invested from an early age over a long period of time, can make a significant contribution to retirement savings. People do not have plenty of time to save for retirement; beginning early allows more time for savings to grow. Government assistance is not likely to cover living expenses. Due to longer life spans, many people are in retirement longer than 15 years.

SOURCE: FI:064

SOURCE: FD

SOURCE: Lieber, R., & St. John, T. (n.d.). *How to win at retirement savings*. Retrieved August 30, 2021, from <https://www.nytimes.com/guides/business/saving-money-for-retirement>

25. A

Will. A will is a legal document that outlines how a person wishes their assets to be distributed once they die. If Margot wants to be sure that her sister receives her assets, she should set up a will. Retirement funds, college savings funds, and bank accounts do not guarantee that Margot's assets will be given to her sister.

SOURCE: FI:064

SOURCE: FD

SOURCE: Kerr, E. (2021, May 13). *10 steps to writing a will*. Retrieved August 30, 2021, from <https://money.usnews.com/money/personal-finance/family-finance/articles/steps-to-writing-a-will>

26. D

Like getting a free loan if you pay the balance each month. When you pay the balance on a credit card each month, you are getting what amounts to a free loan. A credit card is not a good way to pay for impulsive purchases—impulsive purchases are usually a bad idea no matter how you pay for them. Credit cards are not an inexpensive way to borrow money for an extended period. Nowadays, easy access to credit cards is a growing problem.

SOURCE: FI:065

SOURCE: FD

SOURCE: US Bank. (2021). *How credit cards work*. Retrieved August 30, 2021, from <https://www.usbank.com/credit-cards/how-credit-cards-work.html>

27. D

Changes in your life can affect your spending. While it is important to adhere to your budget, sometimes changes in life occur that affect your spending, such as buying a new car, having a child, or moving to a new city. It is important to regularly track and analyze your budget to see how these lifestyle changes are affecting your spending—and to adjust your budget accordingly. Fixed expenses are not constantly changing; rather, they usually do not change from month to month. Your income might remain steady, but that is not related to the need to regularly track and analyze your budget. It is important to set financial goals, but this is not related to the need to regularly track and analyze your budget.

SOURCE: FI:066

SOURCE: SS

SOURCE: Ontario Securities Commission. (2017, June 19). *How life's changes affect your finances*. Retrieved August 30, 2021, from <https://www.getsmarteraboutmoney.ca/life-events/planning-your-future/how-lifes-changes-affect-your-finances/>

28. A

Time value of money. Due to the time value of money, any certain amount of money (such as Justine's \$5,000) is worth more now than later as a result of its earning potential. Rather than letting her uncle keep the \$5,000 until next year, Justine is wise to take the money now and put it in a deposit-bearing savings account. That way, Justine can earn more money (\$300, to be precise) on the money from her uncle. A dividend reinvestment plan (also known as a DRIP) is a method used by many investors to grow their investments more quickly. It involves using stock dividends to purchase more shares of that stock. Capital budgeting is the process that a firm's financial managers use to determine which projects to invest in. The accrual accounting method involves recording transactions at the time they occur even if no money changes hands at the time.

SOURCE: FI:270

SOURCE: SS

SOURCE: Carther Heyford, S. (2020, September 23). *Understanding the time value of money*. Retrieved August 30, 2021, from <https://www.investopedia.com/articles/03/082703.asp#axzz2BZGrTRpM>

29. C

Tax advantages. Most retirement savings plans offer some sort of tax advantage to the contributor. For example, contributions to a 401(k) plan are withheld through payroll deduction, lowering the individual's annual income taxes. Increased salary, free vacations, and job security are not benefits of investing in a retirement savings plan.

SOURCE: FI:270

SOURCE: SS

SOURCE: Capital Group. (2021). *Benefits of starting early*. Retrieved August 30, 2021, from <https://americanfundsretirement.retire.americanfunds.com/planning/benefits-of-starting-early.html>

30. C

\$4,000. To determine Cassidy's net worth, first add up Cassidy's total assets ($\$5,000 + \$2,000 = \$7,000$). Then subtract her liabilities (her credit card debt) from her total assets ($\$7,000 - \$3,000 = \$4,000$).

SOURCE: FI:562

SOURCE: FD

SOURCE: Folger, J. (2021, June 8). *How to calculate your tangible net worth*. Retrieved August 30, 2021, from <https://www.investopedia.com/articles/pf/13/calculating-your-tangible-net-worth.asp>

31. B

They are a liability, so they reduce his net worth. Liabilities are any debts or payments that you owe to someone else. They reduce your net worth. A mortgage is a liability, so it reduces net worth. Roy's mortgage payments are not assets, and they are not used to measure his net worth.

SOURCE: FI:562

SOURCE: FD

SOURCE: Poirot, L. (2021, April 20). *How to increase your net worth*. Retrieved August 30, 2021, from <https://investorjunkie.com/personal-finance/increase-net-worth/>

32. B

The cost of credit. When you take out a line of credit, you agree to terms and conditions that outline how and when you will pay the money back. Most lines of credit have interest rates, which means that the lender can collect additional money from you if you fail to pay back the loan by a certain time. This is the cost of credit. By making only the minimum payment each month, Craig's credit balance increased due to accumulated interest. The increased balance is not a result of income tax, social security, or Craig's credit score.

SOURCE: FI:782

SOURCE: CD

SOURCE: Vohwinkle, J. (2021, May 22). *The true cost of credit cards*. Retrieved August 30, 2021, from <https://www.thebalance.com/the-true-cost-of-credit-cards-1289627>

33. A
\$125.00. Samantha's net pay is what she actually receives after withholdings for federal, state, and local income taxes and government programs. Her gross pay is \$150.00, which is not the amount she will receive. \$275.00 could be found by adding the gross pay to the net pay, but this number is meaningless. \$25.00 could be found by subtracting her net pay from her gross pay, and it is the amount of her withholdings.
SOURCE: FI:068
SOURCE: EI
SOURCE: Lazarony, L. (2020, February 27). *Understanding your paycheck*. Retrieved August 30, 2021, from <https://www.credit.com/personal-finance/how-to-read-your-paycheck-stub/>
34. D
The amount in words is used if the numerals are unclear. The check amount written out in words is relied on when the bank or check recipient cannot easily decipher the numerals recorded on the check. The "Pay to the order of" line identifies who can cash the check. The bank's routing number appears in the MICR line at the bottom of your check. The memo line is used to designate the check's purpose.
SOURCE: FI:560
SOURCE: SS
SOURCE: Huntington Bank. (2021). *How to write a check*. Retrieved August 30, 2021, from <https://www.huntington.com/learn/checking-basics/how-to-write-a-check>
35. C
Insurance policy. Individuals maintain a variety of financial records, and one of these is an insurance policy. In many cases, individuals have several types of insurance policies, such as automobile, homeowners, health, life, etc. These policies pay claims that have cash value. For example, if an individual's home is damaged due to a tornado, the homeowner's policy will pay for repairs, which saves money for the homeowner. It is important for individuals to keep a record of these policies so they will know what is covered and for how much. Cashier's checks, product warranties, and travel reports are not financial records that individuals should maintain.
SOURCE: FI:069
SOURCE: SS
SOURCE: Huguelet, M.C. (n.d.). *What is an insurance policy?* Retrieved August 30, 2021, from <https://www.smartcapitalmind.com/what-is-an-insurance-policy.htm>
36. C
Identify the items you have compared. When reconciling a bank statement, you use check marks to identify the items you have compared. Compared items include amounts on the bank statement, check stubs, canceled checks, deposit slips, and the check register. Check marks are not used to correct missed deposits, void ruined checks, or total the interest received.
SOURCE: FI:070
SOURCE: SS
SOURCE: Accounting Tools. (2021, April 11). *How to reconcile a bank statement*. Retrieved August 30, 2021, from <https://www.accountingtools.com/articles/how-to-reconcile-a-bank-statement.html>
37. A
Cash; full. Paying the statement in full will assure that she does not have to pay extra interest on the balance and will help improve her credit history. Paying in cash is better for her credit history's health than paying with another card because eventually she will have to pay the money owed on the other card. Paying for one card with another can lead to a downward spiral of credit card debt.
SOURCE: FI:071
SOURCE: CD
SOURCE: Nationwide. (2021). *6 credit card tips for smart users*. Retrieved August 30, 2021, from <https://www.nationwide.com/lc/resources/personal-finance/articles/guide-to-using-credit-card>

38. B

Late fee. Credit card issuers often charge late fees for payments that do not arrive on time. Some credit card issuers charge application fees, which involves billing a customer for applying for credit. Processing fees are charges to complete certain activities. Over-limit fees are charges applied for credit transactions that go over or exceed the cardholder's credit limit.

SOURCE: FI:071

SOURCE: FD

SOURCE: College Board. (2021). *How to use credit cards wisely*. Retrieved August 30, 2021, from <https://bigfuture.collegeboard.org/pay-for-college/paying-your-share/how-to-use-credit-cards-wisely>

39. D

Seniority. Seniority refers to the length of time an individual has been employed by a business. Those who have been employed the longest have the most seniority. When all other factors, such as ability and competence, are equal, businesses often promote on the basis of seniority. The feeling often is that a competent person who has been with the company for a long time is entitled to a promotion before a competent person who has less time on the job. It is illegal for businesses to promote employees based on their gender or age. Tenure is a status given to teachers after a certain amount of time that protects them from being dismissed.

SOURCE: PD:034

SOURCE: EI

SOURCE: Heathfield, S. (2019, November 27). *What seniority means at work*. Retrieved August 30, 2021, from <https://www.thebalance.com/what-seniority-means-at-work-1919372>

40. A

Credit report; credit bureau. Because businesses often base their decisions about extending credit or providing a loan on credit history, it is important for individuals and businesses to periodically check and ensure that their credit information is accurate. Credit history is provided in the form of a credit report. By reviewing the credit report, individuals and businesses can determine if there are any problems (e.g., identity theft) or discrepancies on the report that need to be resolved. Credit reports are available through recognized credit bureaus or agencies, which maintain files of credit information on individuals and businesses. Credit histories are not documented on bank statements, lending statements, or credit certificates. The primary purpose of financial institutions, tax agencies, and credit unions is not to maintain comprehensive credit histories for individuals and businesses.

SOURCE: FI:072

SOURCE: CD

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 159-160]. Boston, MA: Cengage Learning, Inc.

41. A

Identity theft. Identity theft occurs when someone illegally obtains another person's information and uses that information to assume the other person's identity. One way to protect against identity theft is to immediately contact the credit card company if a credit card is lost. If the card falls into the hands of an unauthorized person, that person can attempt to use the card as if they are the owner of the card. This is a type of identity theft. If someone uses another person's credit card illegally, the penalty for the victim is not excessive, and in many situations, there is no penalty if the company is notified before any illegal use occurs. Therefore, there is virtually no financial risk. Immediately contacting the credit card company does not protect against high interest rates.

SOURCE: FI:073

SOURCE: FD

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 166-167]. Boston, MA: Cengage Learning, Inc.

42. C

Using an unsecured wireless network. Unsecured wireless connections make it easier for hackers to access other devices on the same network, which could allow them to steal credit card information. Giving your ATM card to a bank teller should not put you at risk of credit card fraud, because bank tellers generally should be trusted not to steal customer information. Traveling to another country does not necessarily put you at risk of credit card fraud, though it is a good idea to be cautious when traveling. Finally, carrying your driver's license does not necessarily relate to credit card fraud.

SOURCE: FI:073

SOURCE: FD

SOURCE: Mancini, J. (2019, December 12). *Can my credit card information be stolen in public wi-fi areas?* Retrieved August 30, 2021, from <https://pocketsense.com/can-credit-card-information-stolen-public-wifi-areas-19208.html>

43. D

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 child care 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, March 13). *Understanding the child and dependent care tax credit.* Retrieved August 30, 2021, from <https://www.irs.gov/newsroom/understanding-the-child-and-dependent-care-tax-credit>

44. A

Subtract her liabilities from her assets. Your personal net worth is the value of all your assets minus your liabilities. Knowing your personal net worth helps you understand your current financial situation and gives you a starting point to measure your financial progress against. To calculate personal net worth, you should subtract your liabilities from your assets, not add your assets to your liabilities, subtract your assets from your liabilities, or add your liabilities to your assets.

SOURCE: FI:562

SOURCE: FD

SOURCE: Charles Schwab. (2021). *Your personal net worth.* Retrieved August 30, 2021, from https://www.schwabmoneywise.com/public/moneywise/essentials/personal_net_worth

45. B

\$15,000. To determine how much you will owe your uncle in 10 years, you'll first need to multiply the principal amount by the interest rate ($\$10,000 \times 5\%$ [or $.05$] = \$500). Next, multiply that product by the length of the loan to find how much you'll owe in interest on the loan ($\$500 \times 10$ = \$5,000). Finally, add the original amount borrowed to the total interest due on the loan to determine how much you will owe your uncle in 10 years ($\$10,000 + \$5,000$ = \$15,000).

SOURCE: FI:782

SOURCE: CD

SOURCE: Pritchard, J. (2021, June 23). *What is simple interest?* Retrieved August 30, 2021, from <https://www.thebalance.com/simple-interest-overview-and-calculations-315578>

46. B

Comparison shopping. Comparison shopping involves looking at the prices of various products/services from different vendors before buying. Comparison shopping is a good financial decision because it can help you get the best value for your money. Nina is able to get a better price for her textbooks because she took the time to comparison shop. Nina is not impulse buying, a victim of a scam, or investing rather than saving in this example.

SOURCE: FI:783

SOURCE: FD

SOURCE: FINRA. (2021). *Comparison shop for financial products*. Retrieved August 30, 2021, from <https://www.finra.org/investors/key-investing-concepts/shop-financial-products>

47. D

Increase. During an economic expansion, production, employment, income, sales, the demand for money, and interest rates rapidly increase. As a result, businesses borrow more money (at higher rates) to expand their operations. And, when businesses borrow more at higher interest rates, bond yields go up.

SOURCE: FI:574

SOURCE: IN

SOURCE: Kenny, T. (2021, February 25). *How economic growth affects bond performance*. Retrieved August 30, 2021, from <https://www.thebalance.com/bonds-and-the-economy-417070>

48. C

24-hour account access. One of the advantages of using an online brokerage firm is 24-hour access to your account. Many self-directed investors like being able to access their information at any time without having to call or visit their broker. Online brokerages do not necessarily offer personal guidance from a live broker or many additional financial products and services. Online brokerages usually have low commissions rather than high ones.

SOURCE: FI:075

SOURCE: FD

SOURCE: Campisi, N. (2018, October 9). *Pros and cons of online trading*. Retrieved August 30, 2021, from <https://www.gobankingrates.com/investing/stocks/the-advantages-disadvantages-online-trading/>

49. B

Run a background check. When shopping for an investment broker, you should always run a background check. You're entrusting your money and your financial future to this person, so it's important to make sure they deserve that trust. It's not necessary to disclose to a potential broker how much money you have to invest. Certain brokers are more suited to certain investors—what works for your parents will not necessarily work for you. You may want to read the broker's advertisements, but advertisements don't tell the whole story. A background check will provide much more useful information.

SOURCE: FI:076

SOURCE: FD

SOURCE: U.S. Securities and Exchange Commission. (2019, May 29). *Updated investor bulletin: How to check out your investment professional*. Retrieved August 30, 2021, from <https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated-0>

50. D

Buildings. On the balance sheet, the property and equipment category includes buildings, land, and machinery. The category does not include equity, which is the net worth of the company. Cash belongs in the category for current assets. Goodwill belongs in the "other assets" category.

SOURCE: FI:276

SOURCE: IN

SOURCE: LAP-QS-038—Go Figure! (Information in Financial Statements)

51. C

Pay dividends. A positive cash flow indicates that the company is generating more cash than it is using. That means that the company will be able to use that cash to pay dividends to shareholders, for example. Positive cash flow indicates that a company will pay back its debts rather than go into more debt. Positive cash flow indicates increased liquidity rather than decreased liquidity. Finally, positive cash flow does not necessarily indicate an increase in net income; income is just one aspect of the cash flow statement.

SOURCE: FI:276

SOURCE: IN

SOURCE: Averkamp, H. (2021). *Cash flow statement (explanation)*. Retrieved August 30, 2021, from <https://www.accountingcoach.com/cash-flow-statement/explanation>

52. A

Short-term time horizon. A short-term time horizon means you are investing for a goal you want to reach in less than five years; if you are investing for a three-year goal, you are on a short-term time horizon. An intermediate-term time horizon is 5-15 years, and a long-term time horizon is more than 15 years. Risk-tolerant time horizon is not a term that is used in investing.

SOURCE: FI:279

SOURCE: IN

SOURCE: Smith, L. (2020, January 22). *Using time horizons to reach your investing goals*. Retrieved August 30, 2021, from <https://www.investopedia.com/articles/investing/110813/using-time-horizons-investing.asp>

53. A

All internal and external business factors. A fundamental analysis evaluates a security to assess its value and should include an examination of all external factors, such as the economy and industry conditions. To be complete, a fundamental analysis must also evaluate internal factors, such as the company's financial conditions and company management. A fundamental analysis is not complete when an investor only examines economic factors or company financial reports. Past stock performance provides little information to determine the future value a stock may possess.

SOURCE: FI:280

SOURCE: IN

SOURCE: Segal, T. (2021, August 21). *Fundamental analysis*. Retrieved August 30, 2021, from <https://www.investopedia.com/terms/f/fundamentalanalysis.asp>

54. A

Knowledge. Knowledge is essential for making wise investment decisions. You don't need an expert to tell you which stocks to pick—because *you* are the one with your best interests at heart. Age and wealth are not required for wise investing. To be a wise investor, you can be young or old, and wealthy or not. Intelligence is helpful if you use it to gain and use knowledge.

SOURCE: FI:283

SOURCE: IN

SOURCE: U.S. Securities and Exchange Commission. (n.d.). *Financial navigating in the current economy: Ten things to consider before you make investing decisions*. Retrieved August 30, 2021, from <https://www.sec.gov/investor/pubs/tenthingstoconsider.htm>

55. B

To reduce risk. Diversifying investments means investing in multiple places rather than putting all of your money in one investment option. For example, if you invest all of your money in one company that then fails, you will lose everything. If you invest in multiple companies, it is unlikely that they all will fail. Diversification, therefore, reduces risk. Diversifying investments does not necessarily help you avoid penalty fees, increase liquidity, or eliminate income tax.

SOURCE: FI:350

SOURCE: IN

SOURCE: McWhinney, J. (2020, November 20). *The many ways to achieve investment portfolio diversification*. Retrieved August 30, 2021, from <https://www.investopedia.com/articles/basics/05/diversification.asp>

56. C

A company's annual report. A company's annual report is an example of an internal resource because it comes from the company itself. The Value Line Investment Survey®, brokerage firm research, and financial website portals are all examples of external stock information resources.

SOURCE: FI:274

SOURCE: IN

SOURCE: Corporate Finance Institute. (2021). *Internal vs external financial reporting*. Retrieved August 30, 2021, from <https://corporatefinanceinstitute.com/resources/knowledge/accounting/internal-vs-external-financial-reporting/>

57. D

Lowest paid price in the past 52 weeks. A securities or stock table is a format used to list stock quotes in newspapers and on websites. The table helps people monitor the performance of a company's stock. To analyze the volatility of stock, an investor or potential investor can compare the highest price paid with the lowest price paid within a 52-week period. If a stock's price rises or falls sharply, it is said to be volatile, which means investors can earn or lose a great deal of money by owning the stock. Rate of return is the reward or benefit received in return for an investment and is recorded as a percentage of the investment. Price-earning ratio (PE) is the financial ratio that shows how much investors are willing to pay for each dollar of earnings. A dividend is a portion of a company's profits paid to shareholders, usually on a quarterly basis. The rate of return, price-earnings ratio, and estimated dividends would not give investors enough information to analyze the stock's volatility.

SOURCE: FI:275

SOURCE: IN

SOURCE: Logue, A. (2021). *How to read a stock table*. Retrieved August 30, 2021, from <https://www.dummies.com/personal-finance/investing/how-to-read-a-stock-table/>

58. C

Yield percentage. In a stock table, the yield percentage is located in the YLD column. The yield percentage refers to the rate of return on the security and is determined by dividing the dividend by the actual closing price. When evaluating the yield percentage, it is important to keep in mind that a stock with a high dividend yield is typically less volatile than one with a low yield. Investors often compare the yield percentages of similar companies with different stock prices to make investing decisions. The volume (VOL) column in a stock table indicates how many shares were traded that day. The net change (NET CHG) column in the table indicates the difference between a stock's closing price and the previous day's price, which may increase or decrease. The ticker or ticker symbol (STOCK [SYM]) column consists of a system of letters that uniquely identifies a company and is often based on the company name.

SOURCE: FI:275

SOURCE: IN

SOURCE: Logue, A. (2021). *How to read a stock table*. Retrieved August 30, 2021, from <https://www.dummies.com/personal-finance/investing/how-to-read-a-stock-table/>

59. A

One investment to another. The purpose of the risk pyramid is to show a comparison of one investment to another. With high-, moderate-, and low-risk categories, the pyramid helps you see which investments are more or less risky than others. Near the peak are the riskiest investments, while the most reliable returns are at the base. The purpose of the risk pyramid is not just to compare stocks to stock mutual funds, corporate bonds to municipal bonds, or one stock to another.

SOURCE: FI:077

SOURCE: IN

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

60. A

To achieve plans for the future. Everyone has plans for the future such as buying a home, starting a business, or retiring at a young age. To make these plans a reality, it is important to establish investment goals to accumulate the funds that will be needed. For example, an individual might establish an investment goal of saving \$10,000 in two years to make a down payment on a house. To achieve a specific investment goal, an individual might buy stock in a company because the stock is increasing in value. Reducing overall debt is one way to save money that can be invested. Individuals do not establish investment goals to borrow capital.

SOURCE: FI:079

SOURCE: IN

SOURCE: Farley, A. (2020, October 29). *Figure out your investment goals*. Retrieved August 30, 2021, from <https://www.investopedia.com/investing/figure-out-your-investment-goals/>

61. B

Defined benefit. A defined benefit retirement plan guarantees the specific benefit that will be payable at the time of retirement. The employee does not have much control over the funds until they are received, but the employer is the one who bears the risk for making sure that the amount is paid. Defined contribution plans are funded primarily by the employee, with the employer matching contributions. A 401(k) is a type of defined contribution plan. Social Security is a government system that provides benefits to retired people and is funded through payroll tax.

SOURCE: FI:569

SOURCE: EI

SOURCE: IRS. (2021, July 1). *Defined benefit plan*. Retrieved August 30, 2021, from <https://www.irs.gov/retirement-plans/defined-benefit-plan>

62. C

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: Beers, B. (2021, August 4). *Getting started with stock screeners*. Retrieved August 30, 2021, from <https://www.investopedia.com/investing/getting-started-with-stock-screeners/>

63. D

Health. Health insurance covers such medical expenses as hospital bills, doctors' fees, lab charges, and other medical costs. Disability insurance is sometimes called loss-of-income insurance because it pays a percentage of a worker's normal wages to the worker when they cannot work because of an illness or injury. Life insurance pays a sum of money at the time of death. Term is a form of life insurance that covers a specific number of years.

SOURCE: FI:081

SOURCE: RM

SOURCE: Kagan, J. (2021, March 5). *Health insurance*. Retrieved August 30, 2021, from <https://www.investopedia.com/terms/h/healthinsurance.asp>

64. C

Liability. Liability insurance pays for damage and injuries you cause others in accidents, and it is required by law in most states/provinces. When a car has little financial value, owners often choose to only carry liability insurance that will pay for damages and injuries caused to others. Since collision, gap, and comprehensive insurance are optional insurance products that pay for damages to your car, they are not necessary. Collision insurance pays for damages to your car if your car crashes into an object, hits another vehicle, or flips over. Gap insurance is an insurance product that covers the difference between the amount owed on a loan or lease and the amount an auto insurer is willing to pay for a heavily damaged car. Comprehensive insurance protects against damages from causes other than collision (e.g., fire, theft, water, falling objects, and vandalism).

SOURCE: FI:081

SOURCE: RM

SOURCE: Allstate. (2020, June). *Liability insurance: How to stay protected*. Retrieved August 30, 2021, from <https://www.allstate.com/tr/car-insurance/liability-car-insurance-cover.aspx>

65. C

Call the company and ask them to review the charges. If you spot something on a bill that seems incorrect, you can call the company and ask them to review the charges. They might recognize the error and correct it for you, or explain why it looks wrong. You should not refuse to pay the bill without checking to first see if you can resolve the issue with the company. However, you should also not necessarily pay the bill without confronting the company. The errors may continue. Finally, you should not start by filing a lawsuit against the company. You may need to take legal action eventually, but you should first find out more about the situation and see if you can resolve the issue on your own.

SOURCE: FI:327

SOURCE: SS

SOURCE: Sekar, A. (2021, August 25). *How to fix a billing error on your credit statement*. Retrieved August 30, 2021, from <https://www.nerdwallet.com/article/credit-cards/fix-credit-statement-mistake>

66. A

\$15,095. To determine how much money Rhea needs to invest to reach her goal, use the time value of money formula, which is $\text{Present Value} = \text{Future Value} / (1 + \text{interest rate})^{\text{period}}$. First, determine the future value of the investment, which is \$40,000. Then, determine the interest rate, which is 5%, and the number of periods (20 years). Next, add one to the interest rate and raise that sum to the power of the number of periods ($1 + 5\%$ [or $.05$] = 1.05; $1.05^{20} = 2.65$). Finally, divide the future value by this product to determine the present value ($\$40,000 / 2.65 = \$15,094.34$). Therefore, Rhea needs to invest about \$15,095 to reach her goal.

SOURCE: FI:238

SOURCE: IN

SOURCE: Fernando, J. (2021, August 23). *Time value of money (TVM)*. Retrieved August 30, 2021, from <https://www.investopedia.com/terms/t/timevalueofmoney.asp>

67. D

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 cosigners may be needed to obtain a loan, you should understand that both your credit rating and that of the cosigners will be damaged by your late payment.

SOURCE: FI:568

SOURCE: CD

SOURCE: Fay, B. (2020, May 20). *How to avoid landing in debt*. Retrieved August 30, 2021, from <https://www.debt.org/advice/avoiding-debt/>

68. D

Who will oversee the terms of my will? Estate planning involves determining how assets will be managed and distributed after death. One important aspect of estate planning is naming an executor to oversee the will and make sure it is carried out according to the person's wishes. Determining an amount of 401(k) contributions is an example of retirement planning. Determining an amount of money to spend on groceries is an example of budgeting. Determining when to buy a house is an example of setting financial goals.

SOURCE: FI:572

SOURCE: FD

SOURCE: Kagan, J. (2021, April 30). *Complete guide to estate planning*. Retrieved August 30, 2021, from <https://www.investopedia.com/terms/e/estateplanning.asp>

69. D

Beneficiaries. The people or organizations chosen to receive an individual's assets after the individual dies are called beneficiaries. In this example, Robert and Martha's beneficiaries are their three children. The executor of a will is someone chosen to take care of a deceased person's financial obligations, such as paying bills and taxes and disposing of property. There is not enough information provided in this example to determine if Robert and Martha's children are the executors of their parents' will. There is no such thing as a director of a will or an arbitrator of a will.

SOURCE: FI:572

SOURCE: FD

SOURCE: Kagan, J. (2021, April 10). *Beneficiary*. Retrieved August 30, 2021, from <https://www.investopedia.com/terms/b/beneficiary.asp>

70. B

Her credit score is too low. Lenders will first look at someone's credit history to determine whether or not they are a risky investment. If Mia has a low credit score, that is likely why her loan application was rejected. Having no debt or having a high income level would actually increase Mia's likelihood of getting a loan. Even if the loan officer disliked Mia, that should not be a reason that her loan was rejected.

SOURCE: FI:625

SOURCE: CD

SOURCE: Luthi, B. (2018, December 18). *What to do if your loan is denied*. Retrieved August 30, 2021, from <https://www.experian.com/blogs/ask-experian/what-to-do-if-your-loan-is-denied/>

71. D

Determine how much debt she can afford. It's important for a consumer to determine how much debt they can afford before obtaining a loan or making a big purchase. Since Arial works part-time and only has a small down payment, she shouldn't waste her time researching a new car model that she probably cannot afford. It's better to personally determine the amount of financing needed before seeking a preapproved car loan. Arial should delay test driving any cars until she determines a realistic amount to spend and has conducted some research on cars within her budget.

SOURCE: FI:625

SOURCE: SS

SOURCE: Better Money Habits. (2021). *7 tips for buying your first car*. Retrieved August 30, 2021, from <https://bettermoneyhabits.bankofamerica.com/en/auto/buying-your-first-car>

72. D

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 unethical hiring practices.

SOURCE: HR:467

SOURCE: EI

SOURCE: Chron. (2020, July 27). *What are the components of a comprehensive total rewards & motivation system?* Retrieved August 30, 2021, from <https://smallbusiness.chron.com/components-comprehensive-total-rewards-motivation-system-36942.html>

73. D

Compensation for the loss. Policyholders file insurance claims because they have incurred some type of loss that is covered by the type of insurance they have. The purpose of filing an insurance claim is to obtain compensation for that loss. For example, a business that has property insurance is damaged during a tornado. The business files a claim to be compensated for the damage so it can make repairs to the property. The purpose of filing an insurance claim is not to obtain discounts on the deductible, dividends on the investment, or profit from the premium.

SOURCE: OP:188

SOURCE: RM

SOURCE: Hayes, A. (2021, June 29). *Insurance claim*. Retrieved August 30, 2021, from https://www.investopedia.com/terms/i/insurance_claim.asp

74. C

Satisfying your wants. Clear, meaningful goals can serve as guidelines and help you make better decisions. Enlarging your income might be a personal goal. Establishing goals cannot guarantee immediate success or the avoidance of mistakes.

SOURCE: PD:018

SOURCE: FD

SOURCE: LAP-PD-918—Go for the Goal (Goal Setting)

75. D

Time limit. Setting a time limit in the beginning means you are less likely to put off your efforts to reach the goal. Having a substitute for the goal would tend to reduce the focus on the real goal and perhaps prevent its achievement. Not every goal can be pursued on a daily scheduled basis. If only vague reasons are given for the goal, there will not be sufficient determination to achieve it.

SOURCE: PD:018

SOURCE: FD

SOURCE: LAP-PD-918—Go for the Goal (Goal Setting)

76. D

Find out what went wrong. Not all goals can be achieved. When you don't reach a goal, look for the reason; don't blame it on someone else. You may need to adjust your goal or set a new one, but don't give up goal setting because of a single failure. Congratulate yourself when you reach a goal.

SOURCE: PD:018

SOURCE: FD

SOURCE: LAP-PD-918—Go for the Goal (Goal Setting)

77. C

Which job you'll take. An example of an extensive decision is which job you'll take—because you'll spend a considerable amount of time thinking it through. Taking a job is not something you do routinely, without thinking. And, it's not usually something you only spend a little bit of time considering. Selecting your shoes and packing your lunch are routine decisions. Deciding where to hang out after school could be a routine or limited decision.

SOURCE: PD:017

SOURCE: FD

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

78. C

An organized way to make a decision. A decision-making model is an organized way of making a decision. It guides your thinking—walking you through commonsense steps for choosing the alternative that is most likely to work. It is not necessarily an easy way to select an alternative. And, it's not necessarily the best way to solve a problem, although you could use it for that purpose. Reaching an objective may or may not involve the use of a decision-making model.

SOURCE: PD:017

SOURCE: FD

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

79. A

Exploratory interview. An exploratory interview is a meeting in which the purpose is to gather information about a specific topic. Jacob wants to gather information about a specific career, so he sets up an exploratory interview with someone who works in the field. A person who obtains a position with an organization for the purpose of gaining work experience in a certain field is participating in an internship. A forum is a meeting that is open to many people. To evaluate the job, Jacob must first obtain information about the position, which is done by holding an exploratory interview.

SOURCE: PD:022

SOURCE: EI

SOURCE: Indeed. (2021, February 22). *What are exploratory interviews? Definition and how to handle them*. Retrieved August 30, 2021, from <https://www.indeed.com/career-advice/interviewing/exploratory-interviews>

80. A

Educational. Some positions require a person to obtain more education and training than others. For example, in some countries, a person must go to a four-year college and then to law school to become a lawyer. Other positions require extensive technical or vocational training. In general, gender, intensity, and health requirements are not primary factors when considering different factors that affect career options and selection.

SOURCE: PD:022

SOURCE: EI

SOURCE: Doyle, A. (2021, July 21). *Education levels and requirements for employment*. Retrieved August 30, 2021, from <https://www.thebalancecareers.com/educational-requirements-for-employment-2059799>

81. D

Natural talent. Aptitudes are natural talents or abilities for learning specific skills. People usually consider their natural talents when identifying occupations, because their abilities are an indication of what type of work they will be able to do the best and enjoy the most. For example, a person with good hand skills who has the ability to attractively combine colors and materials might consider a career in design or visual merchandising. Mental health is a person's soundness of mind. Personal conduct is the way a person behaves. Social attitude is a person's point of view about society.

SOURCE: PD:023

SOURCE: EI

SOURCE: Weedmark, D. (2021). *How to find a job using your talents*. Retrieved August 30, 2021, from <https://work.chron.com/job-using-talents-13361.html>

82. C

To identify occupational interests. Individuals often analyze a lot of self-information in the process of identifying possible occupational interests. The goal is to find out what they like to do and then match their likes with possible occupations. To do this, individuals often take aptitude tests and fill out self-assessment questionnaires. Taking aptitude tests helps individuals determine whether they have the abilities needed for specific jobs. Filling out self-assessment questionnaires helps individuals determine their likes and dislikes and their interests and hobbies. Individuals do not take aptitude tests and fill out self-assessment questionnaires to complete industry surveys, determine intelligence levels, or monitor performance reviews.

SOURCE: PD:023

SOURCE: EI

SOURCE: Raouna, K. (2017, May 11). *A guide to identifying your career interests*. Retrieved August 30, 2021, from <https://www.careeraddict.com/identifying-career-interests>

83. C

Marketing. Marketing is a career area in business, along with business management and finance. Although there may be business opportunities in the fields of health care, entertainment, and mathematics, they are not career areas in business.

SOURCE: PD:025

SOURCE: EI

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

84. C

Posted help-wanted signs. Many local businesses post help-wanted signs in their windows to attract the attention of prospective employees. Young people searching for their first jobs often respond to the help-wanted signs. The young people usually are familiar with these businesses because they are part of the community. Businesses that hire employment agencies, conduct professional searches, and advertise in trade journals usually are looking for employees who have experience or specialized training rather than young people searching for their first jobs.

SOURCE: PD:026

SOURCE: EI

SOURCE: SmartRecruiters. (n.d.). *Job posting*. Retrieved August 30, 2021, from <https://www.smartrecruiters.com/resources/glossary/job-posting/>

85. D

Proper names. Job applicants should always sign their proper names on the application form so that their names will be correct in the business's records if they are hired. The correct format is to sign the name in the order that it reads, which is first name, middle initial, and last name. Applicants should not sign their last names first. It is not correct to sign a nickname, even if the applicant prefers to be called by that name, or to use initials only.

SOURCE: PD:027

SOURCE: EI

SOURCE: Doyle, A. (2019, November 16). *How to sign a cover letter with signature examples*. Retrieved August 30, 2021, from <https://www.thebalancecareers.com/how-to-sign-a-cover-letter-with-signature-examples-2060309>

86. B

To attract attention. One of the main reasons for writing a cover letter is to attract attention and hold the reader's interest. The cover letter should encourage the employer to invite the applicant in for an interview. The letter should contain a few interesting details that will attract attention but should not be lengthy or detailed. Applicants should organize their thoughts before writing a cover letter. Cover letters are not used to provide detailed data or to describe activities.

SOURCE: PD:030

SOURCE: EI

SOURCE: Ryan, R. (2019, February 19). *Formula for writing an attention-grabbing cover letter*. Retrieved August 30, 2021, from <https://www.forbes.com/sites/robinryan/2019/02/19/formula-for-writing-an-attention-grabbing-cover-letter/#576329334895>

87. B

To call the job applicant's goals to the employer's attention. The job or career objective is a statement of what kind of position the employee is seeking and, in many cases, where they would like that job to lead. This lets the employer know before they read any further just how serious and/or ambitious the applicant is. Starting the resume with a job or career objective does give the applicant a chance to make a statement, but that is not the purpose of putting the statement in this location. The job or career objective does not indicate the applicant's creativity or ability to express themselves, since the applicant may have had professional help in preparing the resume.

SOURCE: PD:031

SOURCE: EI

SOURCE: Doyle, A. (2021, July 16). *Resume objective examples and writing tips*. Retrieved August 30, 2021, from <https://www.thebalancecareers.com/resume-objective-examples-and-writing-tips-2063595>

88. D

Electronic funds transfer. Electronic funds transfer (EFT) is a service that allows the bank to transfer funds from one account to another account without the exchange of paper money. Customers often use EFT to pay their bills (e.g., utilities, mortgage). Typically, customers authorize the bank to transfer funds from their savings or checking accounts to the payees' accounts on a specific day of the month. The advantage of EFT is that the customer saves postage and check writing fees. Debt consolidation involves merging the debt owed to multiple entities and making a single payment to a financial institution, which usually charges a lower interest rate. A line of credit is a type of short-term loan that banks often provide to individuals and businesses. The loan amount is available for the customer to use when it is needed. Typically, the customer does not pay interest on the amount of money that they do not use. Certificates of deposit are a type of investment.

SOURCE: PD:154

SOURCE: SS

SOURCE: Bankrate. (2021). *Electronic funds transfer*. Retrieved August 30, 2021, from <https://www.bankrate.com/glossary/e/electronic-funds-transfer/>

89. A

They generally have the lowest interest rates. Federal loans are generally the easiest loans for students to receive because they do not require an excellent credit score or a cosigner. Federal loans also tend to have lower interest rates than private loans. Private loans are plentiful, but they generally have much higher interest rates and require a cosigner or a good credit history to obtain. Like all loans, federal loans must be repaid. The only type of aid product that does not need to be repaid is a grant.

SOURCE: PD:155

SOURCE: CD

SOURCE: Debt.org. (2021, May 13). *Types of student loans*. Retrieved August 30, 2021, from <https://www.debt.org/students/types-of-loans/>

90. D

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 health care benefits if you are covered under your parents' health insurance.

SOURCE: PD:320

SOURCE: RM

SOURCE: Rawson, C. (2021, June 1). *What is a dependent?* Retrieved August 30, 2021, from <https://www.thebalance.com/what-is-a-dependent-5095251>

91. B

Younger people pay lower premiums. The younger you are when you purchase life insurance, the lower your rates will be because you are less likely to need an insurance payout. Therefore, it is a good idea to purchase life insurance as soon as possible to receive a low premium rate. The process of obtaining a life insurance policy should not take more than a few months at most, so this is not a reason to purchase life insurance as a young adult. Some life insurance policies have limited term periods, but this is not a reason to purchase life insurance at a young age. Young people may or may not have dependents, but usually they are less likely to have dependents than older people.

SOURCE: PD:323

SOURCE: RM

SOURCE: Mercadante, K. (2021, February 15). *Reality check: Buying life insurance young saves money*. Retrieved August 30, 2021, from <https://www.moneyunder30.com/buying-life-insurance-young-saves-money>

92. C

Home modifications such as ramps. Long-term care insurance covers expenses associated with chronic illnesses, disabilities, or other conditions that require help over an extended period of time. Long-term care insurance policies can cover a wide range of expenses, including the cost of making adaptations to make a home safer and more accessible (such as a ramp). Bills for emergency surgery are covered by medical insurance. Expenses associated with funeral services can be covered by life insurance. Costs of home repairs after a fire are covered by home insurance.

SOURCE: PD:333

SOURCE: RM

SOURCE: AARP Education & Outreach. (2016, May). *Understanding long-term care insurance*. Retrieved August 30, 2021, from <https://www.aarp.org/health/health-insurance/info-06-2012/understanding-long-term-care-insurance.html>

93. B

Pay your credit card balance in full. Paying your credit card balance in full each month will help you avoid accumulating excessive debt. It's OK to buy goods and services that aren't necessities as long as you have enough money in your budget to afford them. You should avoid purchasing expensive items using credit unless you can genuinely afford them, since purchases accumulate interest fees when paid on credit. It would be unwise to spend your monthly paycheck immediately.

SOURCE: FI:071

SOURCE: FD

SOURCE: Ryan, J.S., & Ryan, C. (2017). *Personal financial literacy* (3rd ed.) [Lesson 8.3b]. Boston, MA: Cengage Learning, Inc.

94. B

Limit. A limit order sets the highest or lowest price at which one is willing to buy or sell. In this example, Maggie is willing to buy only at a certain low price; she is limiting the order. A market order is an order to buy or sell immediately at the best available price. A stop order, also called a stop-loss order, is an order to sell a stock if the price drops to a certain level. Trade order is not a term used to describe securities trading.

SOURCE: PD:236

SOURCE: IN

SOURCE: Kramer, M. (2021, January 28). *Limit order*. Retrieved August 30, 2021, from <https://www.investopedia.com/terms/l/limitorder.asp>

95. B

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 make goods available to ultimate product users.

SOURCE: PM:017

SOURCE: FD

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

96. B

Receiving one or more driving violations. A driver's car insurance premium is likely to increase if the driver has received one or more driving violations. If a driver gets a speeding ticket or receives a citation for causing a car accident, their insurance company is likely to increase their premium. The reason the premium increases is because the driver has exhibited careless behavior and poses an increased risk on the road, which often results in additional claims. Driving long work commutes, owning expensive cars, and living in congested, urban areas are other factors that may increase a driver's car insurance premium.

SOURCE: SE:406

SOURCE: RM

SOURCE: Allstate. (2017, December). *What factors may affect your car insurance premium?* Retrieved August 30, 2021, from <https://www.allstate.com/tr/car-insurance/factors-affect-your-auto-insurance.aspx>

97. B

Dwelling. Homeowners insurance consists of several components. The dwelling component covers the expenses to fix structural damage to the home (e.g., damage to siding, roof, floors) that might occur as a result of fire or wind damage. The personal property component covers items inside the home such as furniture and clothing. The liability component covers situations such as accidents or injuries suffered by others on the homeowner's property. The living expenses component covers the homeowner's temporary housing expenses while the home is being repaired or rebuilt.

SOURCE: SE:407

SOURCE: RM

SOURCE: Allstate. (2019, October). *What is dwelling insurance coverage?* Retrieved August 30, 2021, from <https://www.allstate.com/tr/home-insurance/dwelling-insurance.aspx>

98. B

Accumulates cash value over time. Life insurance is a contract between a policyholder and an insurance carrier and states that the insurance carrier will provide the beneficiary of the insured with a certain amount of money upon the insured's death. A policyholder who purchases a whole life insurance policy pays a level premium at specific intervals for the insured's entire life from the time of purchase. There are no time limits (e.g., 25 years) on insurance coverage for whole life insurance policies. Coverage continues as long as the premiums are being paid. Because the whole life insurance policy accumulates cash, money can be borrowed or withdrawn from the cash value of the policy if certain criteria are met. After the insured's death, the policy's beneficiary may use some of the money to cover the insured's burial expenses. Premium amounts for whole life insurance vary by policy and do not need to be paid on an annual basis. The premiums are paid according to the terms of the contract, which are usually monthly, quarterly, or annually.

SOURCE: SE:419

SOURCE: RM

SOURCE: Kagan, J. (2021, March 26). *Whole life insurance*. Retrieved August 30, 2021, from <https://www.investopedia.com/terms/w/wholelife.asp>

99. B

Research ahead of time. Being prepared is an important aspect of effectively negotiating a good deal. Everett should research the vehicle options in his price range, become familiar with the language, and learn about other factors such as interest rates. This information will help Everett know when and how to negotiate. Being combative is not necessarily a good strategy; instead, the most successful negotiators work together with one another to find a mutually beneficial solution. Leaving terms open is not a good idea; rather, it is better to solidify and close the deal when you are satisfied. Agreeing with the salesperson is not necessarily a good negotiation strategy, because it is important to have a degree of skepticism in negotiations.

SOURCE: SE:392

SOURCE: FD

SOURCE: Petrone, P. (2017, June 14). *The 6 things you should do before any negotiation*. Retrieved August 30, 2021, from <https://www.linkedin.com/business/learning/blog/productivity-tips/the-6-things-you-should-do-before-any-negotiation>

100. C

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 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)