A series of sample test items is provided below. These items are not intended to serve as a study mechanism, but to familiarize candidates with the format, style and structure of the items that can be expected on the tests. Always choose the one BEST answer.

MULTIPLE CHOICE

1. In the budget process, items such as car payments, housing, and health insurance are known as
   a. fixed expenses.
   b. flexible expenses.
   c. periodic expenses.
   d. incidental expenses.
   ANS: A  DIF: 1  OBJ: 1a

2. As Terrance teaches his local youth organization about identity theft, one of the group believes his parents have been a victim of identity theft. What advice should Terrance give this young person?
   a. Wait at least one month to know for sure there was identity theft
   b. Make sure his parents file a police report as soon as possible
   c. Leave all fraudulent accounts open as proof of the identity theft
   d. Do not contact the three credit bureaus, as this will raise questions
   ANS: B  DIF: 3  OBJ: 1g

3. David and Ramona are planning to get married next summer. They both have full-time jobs and have set a goal of putting $400 in savings every month to make a down payment on a home in seven years. What type of goal have they set?
   a. Short-term goal
   b. Intermediate goal
   c. Long-term goal
   d. Unrealistic goal
   ANS: C  DIF: 2  OBJ: 1a

4. Which of the following resources is the LEAST effective in providing individuals and families with sound financial and investment information?
   a. Barron’s Weekly
   b. Kiplinger’s
   c. Wall Street Journal
   d. On-line investment blogs
   ANS: D  DIF: 2  OBJ: 1c

5. The growth of the Internet has affected consumer decision-making by
   a. reducing fraud.
   b. increasing product prices.
   c. increasing product quality.
   d. increasing product choices.
   ANS: D  DIF: 1  OBJ: 1b
6. A popular cereal product makes the claim that it can lower cholesterol. The government agency responsible for investigating this claim is the
a. U.S. Department of Agriculture.
b. Food and Drug Administration.

ANS: B DIF: 1 OBJ: 1d

7. The economic condition of unlimited wants, but limited resources, is known as
a. trade-off.
b. decision-making.
c. scarcity.
d. consumer choice.

ANS: C DIF: 2 OBJ: 1e

8. Which of the following action steps is NOT a good way to increase income or stretch resources in the face of financial difficulties?
a. Develop and use new skills
b. Get an additional part-time job
c. Barter or swap with others
d. Take a cash advance on a credit card

ANS: D DIF: 3 OBJ: 2c

9. Cody and Mallory live in a home near the beach. Recently, they had to evacuate due to a hurricane. Cody and Mallory were fortunate that their home had very little damage. However, during the evacuation they realized that they needed to have emergency plans for their financial records. What would be the BEST emergency plan for their financial records?
a. Record all account numbers, documents of identification, and insurance policies in a notebook and keep them in a home safe in the closet.
b. Record all account numbers, documents of identification, and insurance policies in an electronic file and carry them in their wallet.
c. Record all account numbers, documents of identification, and insurance policies and place them in a safety deposit box at the bank.
d. Record all account numbers, documents of identification, and insurance policies and leave them with a friend in another city.

ANS: C DIF: 2 OBJ: 3b

10. Manny worked in Boston, Massachusetts, as a chef for a well-known national restaurant franchise for two years. The main offices for this company are located in Boston. He moved to California last year and has been employed in a similar position with this company making the same salary he made in Boston. Which of the following BEST describes Manny's tax liability?
a. The amount of California state income taxes he owes will be the same as he paid in Massachusetts because he is making the same salary.
b. He will pay considerably more state income taxes in California because California is a larger state compared with Massachusetts.
c. He will probably pay a different amount of state income taxes in California based on the California state income tax guidelines.
d. The amount of California state taxes he owes will be the same as he paid in Massachusetts because the company headquarters is located in Boston.

ANS: C DIF: 3 OBJ: 2g
11. The death benefit for a life insurance policy is called the
   a. premium amount.
   b. face value.
   c. beneficiary value.
   d. stop-loss.
   ANS: B  DIF: 2  OBJ: 5c

12. Bianca has the goal of saving $150 per month for graduate school tuition. Which of the following accounts would generally let her money grow the FASTEST?
   a. Checking account
   b. Savings account
   c. Certificate of deposit
   d. Holiday account
   ANS: C  DIF: 1  OBJ: 3d

13. Nola has been working part-time while attending college. She has a monthly car loan payment totaling $325. She is able to save about $50 each month because of other expenses. She has a credit card with a spending limit of $4,000 and an annual APR of 14 percent, and her balance on that card is $3,500. She received a credit card offer in the mail with a spending limit of $9,000 and an annual APR of 21 percent. Which of the following statements BEST describes what Nola should do?
   a. Nola should try to obtain the second credit card so she will have an additional $9,000 spending limit.
   b. Nola should only use her first credit card because it has a lower APR and reduce the debt as soon as possible.
   c. Nola should do a balance transfer to $3,500 from her first card and then cancel her first card because it has a lower spending limit.
   d. When Nola reaches her spending limit on her first card, she should apply for another.
   ANS: B  DIF: 3  OBJ: 4b

14. As Raquel begins her teaching career in a school that is ten miles from her home she needs to replace her car that is no longer dependable. A BENEFIT of Raquel leasing a car rather than buying a new car is
   a. lower monthly payments.
   b. lower insurance costs.
   c. no maintenance costs.
   d. unlimited mileage.
   ANS: A  DIF: 1  OBJ: 3d

15. The cost of insurance premiums is generally regulated by the
   a. individual state governments.
   d. Association of Insurance Companies, Inc.
   ANS: A  DIF: 2  OBJ: 5a
16. Ms. Shelby is teaching her class about automobile insurance. Which of the following statements would she give as a description of a liability?
   a. The monthly amount paid for the policy
   b. The amount an insurance company pays per claim
   c. A claim that is made following a collision
   d. A legally enforceable financial obligation

   ANS: D                      DIF: 2               OBJ: 5b

17. Why do many dental insurance plans encourage visits to the dental office twice a year with minimal or no out-of-pocket cost to the patient?
   a. Dentists write the insurance plans to minimize the patient's co-pay.
   b. Regular checkups can reduce costs of expensive dental work.
   c. Dentists maximize the number of visits per patient to increase their business.
   d. This encourages cosmetic replacements for misaligned or damaged teeth.

   ANS: B                      DIF: 1               OBJ: 5c

18. Art is a teacher in a rural school district. His take home pay is approximately $4,000 after all deductions are withheld for taxes, insurance, charitable contributions, and other deductions. Art's take home pay can BEST be described as
   a. disposable income.
   b. discretionary income.
   c. personal income.
   d. family income.

   ANS: A                      DIF: 1               OBJ: 3e

19. Brian and Claudia have recently married. At which stage of their family life cycle will life insurance be MOST important?
   a. While they are a married couple with no children
   b. When they become a family with pre-school children
   c. When they become a post-parenting couple
   d. When they become a post-retirement couple

   ANS: B                      DIF: 1               OBJ: 5c

20. Jacque just taught her students about spending plans. Which of the following is an example of student behavior that can be used to assess their attitudes?
   a. Keeping track of spending practices
   b. Developing a written plan for spending
   c. Believing that keeping track of spending is a good habit
   d. Preparing a report about how spending plans help you meet financial goals

   ANS: C                      DIF: 3               OBJ: 7c