

Question 2 When a person is reconciling a checking account and notices that the balance in the checkbook does not match the balance on the statement from the bank, which action is it appropriate for the person to take first?

Answer A Determine that checks already written have cleared.

Answer B Deposit sufficient funds to adjust the balance in the checkbook to match the bank's balance.

Answer C Adjust the balance in the checkbook so it is the same as the bank's balance.

Answer D Notify the bank in writing to adjust the statement.

Question 12 If you have been denied credit, a job, a license, an insurance policy, or a loan based on your credit report. You are entitled to receive a free copy of that credit report within how many days of denial?

Answer A 30

Answer B 60

Answer C 90

Answer D There is no time limit

Question 21 One of the benefits of holding an investment for over a year rather than selling it in less than a year is that the

Answer A capital gains on the investment will be taxed at a lower rate.

Answer B fees will not be charged by brokers

- for selling the investment.
- Answer C money earned on the investment will be considered tax-free.
- Answer D profits on the investment can be averaged over the length of time the investment is held.

Question 25 Financial plans need to:

- Answer A include income but not expenses
- Answer B be changed during different stages in life
- Answer C include income and eliminate risk
- Answer D to be approved by an accountant

Question 28 Julian is a single and recent college graduate who just got his first full-time job. Which of the following should be his first financial goal?

- Answer A buying a house
- Answer B buying a life insurance policy
- Answer C establishing a fund for emergencies
- Answer D creating a stock portfolio

Question 29 After five years of owning a Roth Individual Retirement Account (IRA), a person wants to buy his first home, the person can withdraw money from the Roth IRA

- Answer A tax and penalty free.
- Answer B but must pay a set penalty at the time of withdrawal.

Answer C and have penalties deferred until retirement.

Question 30 A company offers a defined-contribution pension plan which means that upon retirement the employee will receive

Answer A one-half of the employee's last year's salary.

Answer B the total amount of money contributed plus investment earnings.

Answer C an amount of money based only on the length of time the employee worked for the company.

Answer D a specified amount of money based totally on the profit earned by the company while the employee worked there.

Question 31 A person owns a stock that pays a \$2.00 a share dividend. If the person chooses to reinvest that dividend, this means that the \$2.00 will go toward buying

Answer A more of the same stock.

Answer B stocks that are similar to those already owned.

Answer C preferred stock in the corporation.

Answer D bonds in the corporation.

Question 32 Before the Kiss Corporation can issue stocks or bonds, it must register the issue with:

Answer A Its Board of Directors

Answer B The Federal Reserve

Answer C The World Bank

Answer D The Securities and Exchange

Commission (SEC)

Question 37 The interest earned on United States Series EE Savings Bonds is

- Answer A exempt from state and local taxes.
- Answer B paid in a lump sum at the time the face value on the bond is reached.
- Answer C equal to the money paid to purchase it.
- Answer D deducted at the time of the bond's purchase.

Question 38 Using a brokerage firm, a qualified investor buys 1000 shares of a common stock at \$50 a share on 50% margin. This means that the

- Answer A investor will pay only \$5000 for the shares.
- Answer B investor is buying 2000 shares.
- Answer C brokerage firm is lending the investor 50% of the money.
- Answer D brokerage firm will own 50% of the 1000 shares of stock that were purchased.

Question 40 When an investment company raises money from investors and invests the money in stocks, bonds, or other securities, the investment instrument is called a:

- Answer A Stock
- Answer B Mutual fund
- Answer C Corporate bond
- Answer D Government bond

Question 42 Lamar believes that interest rates are going to fall in the near future and remain low for a considerable period of time. She should invest in:

- Answer A Nothing, she should put her money under her mattress
- Answer B A variable rate certificate of deposit
- Answer C A long-term, fixed rate certificate of deposit
- Answer D A short-term, fixed rate certificate of deposit

Question 43 A person is convinced that a lending institution is charging too much interest for a loan. This person should be aware that

- Answer A there are state usury laws.
- Answer B lending institutions all have their rates of interest set by the SEC.
- Answer C interest rates depend entirely on the borrower's ability to pay back the loan.
- Answer D the Federal Trade Commission has laws against intimidating borrowers.

Question 44 If a person has \$1,000 in a savings account and earns \$20 a year in interest on that account, the rate of return on the money is close to

- Answer A 5%.
- Answer B 2%.
- Answer C 10%.
- Answer D 20%.

Question 45 The annual percentage rate (APR) is:

- Answer A The true cost of credit that must be disclosed on a loan agreement
- Answer B Always expressed in dollars
- Answer C Required by the Securities Exchange Commission
- Answer D Required by the Comptroller of the Currency

Question 49 Lucy has no insurance. The situation(s) should she consider insuring against first are:

- Answer A Death so her financial obligations are paid
- Answer B Losses resulting from an illness, accident, or disability
- Answer C Property losses and auto accidents
- Answer D Auto collision, and burglary

Question 50 Generally, the higher the deductible on an insurance policy, the

- Answer A greater the premium.
- Answer B lower the premium.
- Answer C more frequently the premium has to be paid.
- Answer D less frequently the premium has to be paid.

Question 4 Troy has \$50 a month transferred electronically from his checking account to his savings account. This is an example of:

- Answer A An installment payment
- Answer B A savings plan
- Answer C An ATM transaction
- Answer D A debit card transaction

Question 7 When a person brings an item to a pawnshop to obtain cash, the transaction is considered

- Answer A a collateralized loan.
- Answer B a custodial payment.
- Answer C an unsecured loan.
- Answer D a sales agreement.

Question 9 To qualify for a Federal Housing Administration (FHA) loan, a person must generally

- Answer A have at least a high school diploma.
- Answer B have one-quarter of the cost of the home for a down-payment.
- Answer C fulfill income guidelines.
- Answer D provide two individuals to co-sign the loan.