



# SAMPLE EXAM

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## 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. Margo signed a lease to rent a small building for her business. In exchange for the use of the facility, Margo will pay monthly rent. What component of a legally binding contract does the rent represent?
  - A. Competent parties
  - B. Consideration
  - C. Legality
  - D. Agreement
2. An offer must be made by one party and accepted by the other party in order for a contract to be
  - A. put in written form.
  - B. notarized.
  - C. legally binding.
  - D. interpreted correctly.
3. Which of the following is an example of involuntary debt:
  - A. Unsecured line of credit
  - B. Automobile loan
  - C. Fixed-rate mortgage
  - D. Court judgment lien
4. A "spoof," or a fake email that appears real, is part of what investment scam?
  - A. Pump and dump
  - B. A pyramid scheme
  - C. Affinity fraud
  - D. Phishing
5. Which of the following is an example of a regulation that protects investors:
  - A. Brokerage firms are required to abide by equal opportunity employment laws.
  - B. Individuals are not allowed to purchase and sell more than five stocks per week.
  - C. Companies must honestly and publicly disclose their business information.
  - D. Newspapers and magazines are not allowed to report on stock market trends.
6. When providing services to clients, financial professionals have the responsibility to supply
  - A. accurate information.
  - B. payment options.
  - C. credit counseling.
  - D. bank statements.
7. What should you do if a financial client reports a problem with her/his portfolio?
  - A. Call the client back later after s/he has calmed down.
  - B. Apologize and resolve the problem immediately.
  - C. Ask the manager to return the client's call.
  - D. Waive the client's fees for his/her next five transactions.
8. Which of the following is typically an effective method to build trusting relationships with financial clients:
  - A. Contacting clients only when problems arise with their accounts
  - B. Using precise technical language when explaining financial products
  - C. Asking others in the organization to follow up after sales transactions
  - D. Explaining the benefits and drawbacks of different financial products
9. The inputs that allow businesses to operate are called economic
  - A. incentives.
  - B. services.
  - C. models.
  - D. resources.

10. One of the main reasons why individuals make investments based on their future financial needs is to
- develop a living will.
  - avoid paying taxes.
  - set up a trust fund.
  - generate retirement income.
11. What economic activity examines how money payments are divided between resource owners and producers?
- Production
  - Consumption
  - Exchange
  - Distribution
12. John gets up, dresses, brushes his teeth, eats breakfast, goes to school, buys gum at the school store, and reports to his first class. Which of these would be considered an economic activity?
- Brushing teeth
  - Eating breakfast
  - Buying gum
  - Going to class
13. The main reason people are willing to face possible business risks is
- jobs.
  - profit.
  - power.
  - security.
14. Some businesses are able to avoid potential risks by taking actions to \_\_\_\_\_ them.
- eliminate
  - overlook
  - examine
  - disregard
15. When a nation's inflation rate is low, what do prices tend to do?
- Fluctuate daily
  - Increase dramatically
  - Remain stable
  - Reduce currency values
16. Which of the following statements is true about inflation:
- It increases when the money supply decreases.
  - It has little effect on consumers' ability to save.
  - It is usually caused by a supply surplus.
  - It decreases the value of money.
17. When two parties work together to negotiate a result that is mutually beneficial, it is called a \_\_\_\_\_ outcome.
- lose-lose
  - win-lose
  - win-win
  - lose-win
18. Which of the following is a disadvantage of using cash as a form of financial exchange:
- The risk of theft decreases.
  - Cash payments often incur fees.
  - There is a higher risk of fraud.
  - It is easy to steal or lose.

19. Which of the following is a name for a medium of exchange accepted and backed by the government as payment for goods and services:
- Currency
  - Credit cards
  - Money market accounts
  - Certificates of deposit
20. Marshall's employer pays him for the work that he performs while on the job. This is an example of
- passive revenue.
  - earned income.
  - capital gains.
  - transfer payments.
21. What is a primary consideration when evaluating the time value of money?
- Tariffs
  - Premiums
  - Credit limit
  - Interest rate
22. The arrangement by which businesses or individuals can purchase now and pay later is known as
- credit.
  - capacity.
  - interest.
  - collateral.
23. Which of the following is a type of credit card that can be used to make purchases from a variety of participating businesses:
- Hotel
  - Retail store
  - Bank
  - Petroleum
24. If you purchase a car, which type of credit are you most likely to use?
- Regular
  - Installment
  - Budget
  - Revolving
25. Jordan buys a sofa from a local furniture store that advertises "90 days same as cash." She's able to have the sofa delivered to her house immediately without paying anything. However, if she doesn't pay for the sofa within the 90-day period, she'll be subject to finance charges. Jordan bought the sofa using a \_\_\_\_\_ credit account.
- revolving
  - budget
  - regular
  - installment
26. Which of the following statements about retirement is true:
- You will be in retirement only about 15 years.
  - You have plenty of time to start saving for retirement.
  - You can depend on Social Security for your basic living expenses.
  - Saving even a little bit each month will help.
27. When there is not enough of a resource available for everyone to have as much of it as desired, the resource is
- natural.
  - unlimited.
  - limited.
  - human.

28. One advantage to setting attainable goals is that you
- work harder to achieve a very high goal.
  - can measure your progress.
  - are less likely to become discouraged.
  - can picture it in your mind.
29. Scarlet is setting her personal financial goals. What is the first step she should take to reaching her financial goals?
- Automate payments
  - Prioritize her goals
  - Evaluate her budget
  - Make a list of her goals
30. Fayth is developing her personal budget. She intends to save 10% of her income, use 38% of her income for housing and utilities, spend 14% on food, devote 20% to transportation, and set aside the rest for clothing, recreation, and entertainment. She earns \$958 per pay period. How much money does she plan to spend on clothing, recreation, and entertainment each pay period?
- \$306.56
  - \$134.12
  - \$288.34
  - \$172.44
31. Which of the following is a strategy to help with tracking expenses:
- Estimate fixed expenses.
  - Only use cash payments.
  - Spend as little as possible.
  - Keep receipts.
32. Zach invested \$300 in the stock market. With the stock market's average yearly gain of 10 percent, his original \$300 grew to \$330 after one year. In two years' time, his \$300 became \$363. The year after that, his original investment had become \$399. Zach's investment grew as a result of
- globalization.
  - opportunity cost.
  - banking services.
  - compounding.
33. To be able to pay for unexpected car repairs and/or to replace broken home appliances, it is important to
- eliminate entertainment expenses.
  - make long-term investments.
  - save money for emergency situations.
  - use tax returns to purchase treasury bonds.
34. Which of the following is a reason to invest your money:
- Investing can help you reach your long-term financial goals.
  - You will receive a lower rate of return than from a savings account.
  - When you invest, you earn a lot of money in a very short period of time.
  - There is no risk involved in investing in the stock market.
35. Viola wants to go on a vacation sometime in the next year. How should she generate the money she needs for the trip?
- Invest her money in the stock market
  - Put her money in a savings account
  - Take some money from her emergency fund
  - Put the expenses for the trip on a credit card

36. What type of services do property taxes typically fund?
- State/Provincial education programs and federal correctional facilities
  - National security programs and local road repairs
  - Local fire departments and local law-enforcement agencies
  - State/Provincial colleges and state/provincial social welfare initiatives
37. Your annual income, an inheritance, and the money from the sale of an asset are all considered events that contribute toward your
- tax loophole.
  - untaxable income.
  - tax liability.
  - sales tax.
38. Brad earns \$8.70 per hour as a delivery truck driver. If he works more than 40 hours during the regular Monday through Friday work week, he earns time and one-half for those extra hours. He earns double time when he works on holidays. Last week, Brad worked 11 hours on Monday, 8 hours on Tuesday, 9.5 hours on Wednesday, 9 hours on Thursday and Friday, and 5 hours on Saturday, which was a holiday. What were Brad's gross earnings last week?
- \$519.83
  - \$448.05
  - \$491.55
  - \$548.10
39. Melissa writes checks to pay for her rent, utilities, and groceries, and she keeps a record of all these transactions in her check register. Keeping an accurate check register helps Melissa
- understand the checking account's restrictions and fees.
  - determine when she needs to add funds to her savings account.
  - track the amount of money she has spent.
  - decide when to order new checks.
40. Reconciling a personal bank statement is the process of determining any differences between the bank statement balance and the
- installment amount.
  - balance sheet.
  - checkbook balance.
  - deposit slips.
41. As Tom uses his credit card to make purchases in a responsible manner, he should remember that credit is a(n)
- tax.
  - privilege.
  - asset.
  - loan.
42. Eito's credit report shows that his credit score has dropped over the past nine months. What is the most important thing Eito can do to improve his credit score?
- Close all of his older credit cards
  - Apply for another credit card
  - Pay his bills by the date they are due
  - Increase the amount of money owed
43. Monitoring financial accounts and reading bank statements on a regular basis can help detect activities associated with
- personal hijacking.
  - property infringement.
  - identity theft.
  - securities fraud.

44. Justin's gross income for the year is \$37,800. He contributes \$2,000 per year to an approved retirement plan. Justin is single and claims one exemption for himself. The amount of the exemption is \$3,650. He is taking the \$5,700 standard deduction for a person filing an income tax return as an individual. What is Justin's taxable income?
- A. \$28,450
  - B. \$26,450
  - C. \$32,100
  - D. \$35,800
45. Juliet and Tony send their young son to a day care center. Instead of writing a check each month to pay the center, they signed a form allowing the center to automatically take the money from their checking account at the bank each month. This type of bill paying is called
- A. endorsement.
  - B. online bill pay.
  - C. manual bill pay.
  - D. direct withdrawal.
46. What is a tip to aid in paying bills on time?
- A. Notify businesses to let them know that time extensions will be needed.
  - B. Pay bills as soon as they arrive.
  - C. Require businesses to use direct deposit into your account.
  - D. Set aside two times a month to pay bills.
47. When Jasmine got her credit card bill, she was surprised to see that she was charged an extremely high annual fee. Jasmine could have avoided this situation by
- A. applying for a lower interest rate.
  - B. opening multiple credit card accounts.
  - C. paying her credit card bill on time.
  - D. closely reading the terms and conditions.
48. Amira is trying to choose a financial institution. She likes to do her banking in person, and she wants to make sure she selects an institution that's customer friendly. She wants good interest rates and low fees, and she'd also prefer to invest with a not-for-profit institution. Amira should invest her money in a(n)
- A. credit union.
  - B. Internet bank.
  - C. commercial bank.
  - D. investment bank.
49. Which of the following is an important topic to discuss with a potential investment advisor?
- A. Marital status
  - B. Hometown
  - C. Fees
  - D. Personal wealth
50. Mark has decided to hire a financial planner to help him plan his long-term financial goals. Which of the following should he do to ensure he finds someone he can trust:
- A. Search online
  - B. Obtain referrals from close friends
  - C. Interview potential candidates
  - D. Contact his bank
51. Rosie is in the process of choosing a financial-services provider, but she has so many options that she feels overwhelmed. What is the first step she should take?
- A. Ask the financial-services provider for references.
  - B. Ask herself, "What kinds of financial services do I want?"
  - C. Ask the financial-services provider how much s/he charges.
  - D. Find out what licenses the financial-services provider holds.

52. If you are nearing retirement, which investing approach will you use?
- A. Conservative
  - B. Tax-minimizing
  - C. Moderate
  - D. Aggressive
53. Which of the following is a qualitative measure examined through fundamental analysis:
- A. Company's profitability
  - B. Earnings per share
  - C. Comparison of sales over a five-year period
  - D. Backgrounds of management
54. Kyle wants to purchase stock in a public corporation. Where can he quickly find current financial information about the corporation's performance?
- A. The corporation's website
  - B. An employee handbook
  - C. A local newspaper
  - D. The corporation's product catalog
55. While Chase was reviewing his stock performance, he saw that his commodities investment dropped .002 points from Monday's close to Tuesday's close. This drop is called the
- A. true value.
  - B. net change.
  - C. net worth.
  - D. true yield.
56. What is a benefit of investing in mutual funds?
- A. Investors earn interest because it is a lending investment.
  - B. Investors are guaranteed a minimal amount of return.
  - C. Investors have access to a fund manager's expertise.
  - D. Investors' fees are waived because it is an ownership investment.
57. Sheila decides to invest some of her money. She doesn't like to take big risks, and she wants to be able to access all of her money at all times. She also doesn't mind not earning much interest. Sheila should invest her money in a
- A. savings account.
  - B. stock.
  - C. certificate of deposit (CD).
  - D. money market account (MMA).
58. Which of the following are examples of ownership investments:
- A. Certificates of deposit and bonds
  - B. Savings accounts and stocks
  - C. Stocks and bonds
  - D. Collectibles and real estate
59. Which of the following is a disadvantage of investing in a mutual fund:
- A. Potentially high fees
  - B. Potential loss of time and effort
  - C. Low potential for return
  - D. Penalty for early withdrawal
60. Which of the following investments gives the investor part ownership of a corporation:
- A. Real estate
  - B. Money market account
  - C. Stock
  - D. Collectibles

61. Many employers match employees' pretax contributions to their
- A. Roth IRAs.
  - B. traditional IRAs.
  - C. 401(k) plans.
  - D. Keogh plans.
62. A good retirement plan usually accounts for increasing \_\_\_\_\_ costs.
- A. mortgage
  - B. medical care
  - C. life insurance
  - D. legal
63. Which of the following is a true statement about financial ratios?
- A. Earnings are reported according to such a strict set of rules that it is easy to compare them from year to year and from company to company.
  - B. Financial ratios have limited use for anyone besides financial managers and investors.
  - C. Investors can rely on reputable, independent sources for analysis of financial statements.
  - D. A line-by-line analysis of a company's financial statements is the best way to understand the value of its stock.
64. When should an investor sell his/her investments?
- A. When the investments lose in the short term
  - B. Not very often
  - C. When the investor feels like making a change
  - D. Frequently
65. Which of the following types of insurance do businesses frequently offer as part of their employee benefit plan:
- A. Health
  - B. Automobile
  - C. Property
  - D. Liability
66. When a customer slips on a wet floor in Ruchita's restaurant, he breaks his ankle. He decides to sue her business. Luckily, Ruchita doesn't have to pay the damages because she has \_\_\_\_\_ insurance.
- A. property
  - B. life
  - C. liability
  - D. health
67. A common transference device is a(n)
- A. contingency plan.
  - B. smoke alarm.
  - C. insurance policy.
  - D. risk checklist.
68. To make sure it was billed correctly, the Westworth Agency compared the bill that it received from the Cyan Printing Company against the original
- A. item number.
  - B. price quotation.
  - C. delivery date.
  - D. inventory report.
69. Janet, an employee with an advertising agency, has a question about an invoice she received. Who is the best person for Janet to contact to obtain the desired information?
- A. The invoice originator
  - B. The agency's accounts receivable clerk
  - C. The departmental supervisor
  - D. The agency's attorney

70. If Danita invests \$6,000 at a simple annual interest rate of 5%, the future value of her investment at the end of a five-year period will be
- A. \$1,650.
  - B. \$1,500.
  - C. \$4,500.
  - D. \$1,200.
71. Why is estate planning important?
- A. Keeps your assets from going through probate court
  - B. Maximizes the amount of money that goes to foundations
  - C. Encourages you to develop financial goals
  - D. Ensures that your assets are divided the way you want them to be
72. Lower APR means \_\_\_\_\_ monthly payments.
- A. higher
  - B. lower
  - C. stable
  - D. fluctuating
73. Which of the following is a work-life balance benefit a business may offer to attract and keep talented employees:
- A. Worker's compensation
  - B. Competitive pay
  - C. Flexible scheduling
  - D. Health insurance
74. Deena is researching investment options. How can she best evaluate the authority of a source of information?
- A. Check to see if facts and statistics are cited
  - B. See when the source was published
  - C. Look into the author's credentials
  - D. Look for potential signs of bias
75. Jamie carries comprehensive insurance coverage and is involved in a car accident. The other driver carries liability and collision insurance. Jamie's car is destroyed, and both insurance companies determine that Jamie is at fault for the accident. Who is responsible for paying for damages to Jamie's car?
- A. The other driver's insurance company
  - B. Her insurance company
  - C. The other driver
  - D. Jamie must pay all damages herself
76. A business might be involved in insurance fraud if it
- A. calculates the value of property.
  - B. attempts to reduce the coverage.
  - C. overestimates the amount of loss.
  - D. limits its scope of liability.
77. Chris started working in a stable as a horse trainer, but later decided he would rather give riding lessons for a living. This is an example of a goal being
- A. measurable.
  - B. effective.
  - C. specific.
  - D. dynamic.

78. Which of the following is a benefit of writing down your goal:
- A. Changing your goal when necessary
  - B. Clarifying the goal in your own mind
  - C. Picturing what it would be like to reach your goal
  - D. Sequencing smaller subgoals
79. Which of the following is an example of gathering information before making a decision:
- A. Reading novels
  - B. Writing letters
  - C. Asking questions
  - D. Watching movies
80. Because Jason objectively reviewed all the facts from a variety of perspectives before making his business decision, he was basing his decision on
- A. emotion.
  - B. logic.
  - C. intuition.
  - D. experiences.
81. Following a business employee for a few days to obtain information about that particular career is an example of
- A. personal interviewing.
  - B. volunteering.
  - C. serving an internship.
  - D. job shadowing.
82. Individuals who are interested in certain occupations should also find out if they have the necessary
- A. patience.
  - B. attitudes.
  - C. aptitudes.
  - D. behavior.
83. Because Alexa enjoys working with children and has a knack for developing fun activities that help them understand puzzles and numerical formulas, she might consider a career as a
- A. graphic designer.
  - B. math teacher.
  - C. computer programmer.
  - D. financial planner.
84. An individual who wants to pursue a career in the marketing segment of business might obtain an entry-level position as a(n)
- A. apprentice plant manager.
  - B. junior bookkeeper.
  - C. customer service representative.
  - D. assistant office supervisor.
85. What type of information is acceptable to leave out of a job application?
- A. Professional experience
  - B. Educational background
  - C. Contact information
  - D. Salary requirements
86. Lauren was filling out an employment application and encountered a question for which she was unsure of the answer. What should she do?
- A. Mark down "personal"
  - B. Leave a blank space
  - C. Make up an answer
  - D. Write in "unknown"

87. Which of the following is the most desirable outcome for a job seeker who sends a letter of application to a business:
- A. A telephone call from the business
  - B. A letter from the business
  - C. A job interview for the applicant
  - D. A request for a résumé from the applicant
88. People most often write letters of application when responding to job leads they have found
- A. in publicity brochures.
  - B. on the Internet.
  - C. in business windows.
  - D. through networking.
89. Which of the following are the best references to list in a résumé:
- A. Former employers
  - B. Family members
  - C. Coworkers
  - D. Classmates
90. An effective résumé provides a prospective employer with the information needed to judge the applicant's qualifications without being
- A. detailed.
  - B. lengthy.
  - C. specific.
  - D. concise.
91. The purpose of loan products is to provide
- A. interest.
  - B. collateral.
  - C. income.
  - D. financing.
92. Insurance companies are regulated and supervised in order to
- A. maximize the profits of the insurance industry as a whole.
  - B. protect customers from unfair or discriminatory treatment.
  - C. improve the relationships among insurance companies.
  - D. encourage insurance companies to be more efficient.
93. When health insurance is available through an employer, the cost to the employee is typically
- A. higher than an individual policy.
  - B. lower than an individual policy.
  - C. paid for by the employer.
  - D. paid for by the government.
94. One reason why many workers begin their careers in entry-level jobs is because these jobs
- A. are limited to small businesses.
  - B. offer very low compensation.
  - C. provide no room for advancement.
  - D. require little or no experience.
95. Jack tells his broker he wants to purchase 50 shares of ABC stock. Jack is placing a \_\_\_\_\_ order.
- A. buy
  - B. stop
  - C. sell
  - D. limit

96. Which of the following is a way that businesses can include consumer protection as part of product/service management:
- A. Testing products very carefully
  - B. Promoting products to target audiences
  - C. Modifying products to meet consumer demand
  - D. Marketing products in new geographic areas
97. Which of the following might a business experience if it failed to provide adequate consumer protection:
- A. Personal injury
  - B. Property damage
  - C. Physical harm
  - D. Financial loss
98. How do government regulations that protect consumers most often impact businesses?
- A. They can increase a business's expenses.
  - B. Product development can be less expensive.
  - C. They allow businesses to avoid correcting problems.
  - D. Businesses are able to carry less insurance.
99. Jane is considering whether or not to hire Mateo to be her financial advisor. Which of the following is the best question for Jane to ask to help her negotiate a lower fee from Mateo:
- A. "What is the lowest price you can give me?"
  - B. "What can you offer that no one else can?"
  - C. "What prices do your competitors offer?"
  - D. "Why do I have to pay fees?"
100. What kind of risk is a flood that causes a business to close for three weeks?
- A. Financial
  - B. Speculative
  - C. Pure
  - D. Operational

1. B

Consideration. In order for a contract to be legally binding, something of value must be exchanged. In this case, the rent is being exchanged for space. Agreement requires an offer be made by one party and accepted by the second party. Competent parties require those entering a contract to be of legal age and to meet other criteria. Legality refers to the terms of the offer being within the law.

SOURCE: BL:002

SOURCE: FD

SOURCE: Stim, R. (2015, April 23). *Consideration: Every contract needs it*. Retrieved September 18, 2018, from <http://www.nolo.com/legal-encyclopedia/consideration-every-contract-needs-33361.html>

2. C

Legally binding. In order for a contract to be legally binding, an offer must be made by one party and accepted by the other party. In effect, the two parties are agreeing to the terms stated in the contract. Then, both parties must live up to those terms. All contracts do not need to be notarized, put in written form, or interpreted correctly.

SOURCE: BL:002

SOURCE: FD

SOURCE: Harold Stock & Co. (2013, September 24). *When is a contract legally binding?* Retrieved September 14, 2018, from <https://www.haroldstock.com/contracts/contract-legally-binding/>

3. D

Court judgment lien. A debtor-creditor relationship can be based on two different types of debt—voluntary and involuntary. Voluntary debt includes any debt that a person or business willingly creates. Examples include automobile loans, mortgages, and lines of credit. Involuntary debt is debt that a person or business does not ask for nor willingly assume. For example, if a court of law finds a business liable for a customer's injuries resulting from a fall on the business's premises, the court may place a judgment lien on the business's property to ensure that the business compensates the customer for her/his injuries. The business doesn't want to take on the debt; instead, the court determines that the business owes the customer money and requires the business to pay the debt. The lien is an involuntary debt for the business.

SOURCE: BL:071

SOURCE: CD

SOURCE: Business Filings. (2012, May 24). *Understanding the debtor-creditor relationship*. Retrieved September 14, 2018, from <http://www.bizfilings.com/toolkit/sbg/run-a-business/assets/understanding-debtor-creditor-relationship.aspx>

4. D

Phishing. A "spoof," or a fake email that appears real, is part of the investment scam called phishing. Phishing is an online identity-theft scam that fools its victims into believing they are submitting sensitive, personal information (such as credit card numbers or bank passwords) to a legitimate website. A pyramid scheme is an investment scam based on a hierarchy in which the scammers lure in investors, who must then recruit new investors, and so on. Each level gives some of its returns to the level above it. 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. Pump and dump is an investment scam that involves hyping up small, unheard-of stocks. Usually over the Internet, the scammers con unsuspecting investors into buying the stock so its price will go up. Then, the scammers sell out at the high price, leaving the other investors to deal with the inevitable price plummet.

SOURCE: BL:104

SOURCE: IN

SOURCE: Phishing.org. (n.d.). *What is phishing?* Retrieved September 14, 2018, from <http://www.phishing.org/what-is-phishing>

5. C

Companies must honestly and publicly disclose their business information. To protect investors from unethical trading activity, government agencies create and enforce laws that securities and investment firms must adhere to. One regulation intended to protect investors is the requirement for companies to honestly and publicly disclose their financial information. This requirement protects individuals from investing in a company that claims it is financially healthier than it truly is. Individuals are not limited to buying and selling five stocks per week. Like all companies, brokerage firms must abide by equal opportunity employment laws—but these laws do not specifically protect investors. Newspapers and magazines are not prohibited from reporting on stock market trends.

SOURCE: BL:105

SOURCE: IN

SOURCE: Inc. (2018). *SEC disclosure laws and regulations*. Retrieved September 14, 2018, from <https://www.inc.com/encyclopedia/sec-disclosure-laws-and-regulations.html>

6. 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: CFP Board. (2018). *Code of ethics & professional responsibility*. Retrieved September 18, 2018, from <http://www.cfp.net/for-cfp-professionals/professional-standards-enforcement/standards-of-professional-conduct/code-of-ethics-professional-responsibility>

7. B

Apologize and resolve the problem immediately. Finance professionals are most likely to build customer loyalty and retention if they resolve any client problems and complaints as soon as possible. Waiting until later to deal with the problem is unwise; while waiting for a call back, the client may become even more upset than s/he already is. Before involving a manager, finance professionals should attempt to resolve their clients' problems themselves. While waiving the client's fees for future transactions can benefit the client, doing so doesn't necessarily resolve the client's problem.

SOURCE: CR:012

SOURCE: FD

SOURCE: Excella. (2018). *How to build loyalty through the annual client review: Four questions all advisors must ask their clients*. Retrieved September 18, 2018, from <https://excellamarketing.com/advisor-resources/how-to-build-loyalty/>

8. D

Explaining the benefits and drawbacks of different financial products. One responsibility that finance professionals have is to provide complete product information to clients. This means explaining the benefits as well as the drawbacks of different financial products so that clients can make educated decisions about what to do with their money. When finance professionals communicate openly, their clients are much more likely to trust them. And, when clients trust their finance professionals, they are more likely to become loyal and satisfied customers. Rather than using precise technical language and financial jargon, finance professionals can build more trust by talking to their clients in language that the clients understand. Rather than asking others in the organization to follow up after sales transactions, finance professionals can build trusting relationships with clients by following up with them themselves. Although some clients may only want to be contacted when problems arise, most clients prefer to stay in communication with their finance professionals on a more regular basis.

SOURCE: CR:012

SOURCE: FD

SOURCE: Pollard, J. (2018). *How financial advisors can build trust with clients*. Retrieved September 18, 2018, from <https://www.theadvisorcoach.com/how-financial-advisors-can-build-client-trust.html>

9. D  
Resources. Economic resources are the natural and human resources and capital goods used to produce goods and services. Economic incentives are the monetary motivations for engaging in economic activity. An economic model serves to illustrate a point about economic happenings.  
SOURCE: EC:003  
SOURCE: FD  
SOURCE: LAP-EC-014—Be Resourceful (Economic Resources)
10. D  
Generate retirement income. Most individuals analyze their future financial needs in order to make investments that will generate income in the future. The reason for the investments is to have income to support them during retirement. Individuals estimate future living expenses and make investments in the hope of generating adequate retirement income. Individuals do not make investments based on their future financial needs to avoid paying taxes, set up a trust fund, or develop a living will.  
SOURCE: FI:064  
SOURCE: FD  
SOURCE: United States Department of Labor. (2017, September). *Top 10 ways to prepare for retirement*. Retrieved September 18, 2018, from <https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/top-10-ways-to-prepare-for-retirement.pdf>
11. D  
Distribution. This economic activity examines how the money payments received by resource owners and producers are divided or distributed. Resource owners must feel that the incomes they receive are large enough so that they will continue to be willing to supply resources. Producers must receive enough income so that they are able to continue making or providing goods and services. Consumption is the process or activity of using goods and services. Production is the making of goods and services. Exchange involves the exchange of money payments between producers and the owners of resources.  
SOURCE: EC:001  
SOURCE: FD  
SOURCE: LAP-EC-006—Are You Satisfied? (Economics and Economic Activities)
12. C  
Buying gum. This activity involves the exchange of two things of monetary value, gum and money. Economic activities involve consumption, production, exchange, and distribution. The other alternatives are noneconomic activities.  
SOURCE: EC:001  
SOURCE: FD  
SOURCE: LAP-EC-006—Are You Satisfied? (Economics and Economic Activities)
13. B  
Profit. In our private enterprise economic system, we have the right to take risks. The main reason people are willing to face business risk is that they hope to make a profit. Jobs, power, and security may be contributing reasons for people to go into business for themselves, but they are not as compelling as profit.  
SOURCE: EC:011  
SOURCE: RM  
SOURCE: LAP-EC-003—Lose, Win, or Draw (Business Risk)
14. A  
Eliminate. A business risk can sometimes be recognized and then eliminated completely. For example, the risk to a business of losing key personnel in an airplane crash can be eliminated by not allowing them to fly. Businesses examine, or study, their potential risks, but they do not intentionally disregard or overlook potential risks that may be harmful or costly.  
SOURCE: EC:011  
SOURCE: RM  
SOURCE: LAP-EC-003—Lose, Win, or Draw (Business Risk)

15. C  
Remain stable. Inflation is a rapid rise in prices that may occur when demand exceeds supply or when productivity declines and costs of labor go up. Generally, low inflation rates range between 1% and 4%, which indicates a strong economy and stable prices. Although some products' prices fluctuate on a daily basis (e.g., gasoline), not all prices do. High inflation causes a decrease in the value of a nation's currency.  
SOURCE: EC:083  
SOURCE: FD  
SOURCE: LAP-EC-028—Up, Up, and Away (Inflation)
16. D  
It decreases the value of money. Inflation is a rise in prices. When there is a rapid rise in prices, it takes more money to buy the same item. When this occurs, individuals and businesses buy less with the same amount of money—the value of money decreases. Inflation can occur when there is an increase in the money supply or when the availability of an item drops, but the demand remains the same or increases. When prices increase, individuals and businesses often have less money to save and invest.  
SOURCE: EC:083  
SOURCE: FD  
SOURCE: LAP-EC-028—Up, Up, and Away (Inflation)
17. C  
Win-win. When people collaborate, they work together. A collaborative negotiating style is most likely to create an outcome that benefits both parties. It builds lasting relationships by embracing an "everybody wins" attitude. Use of the accommodating negotiating style often results in a lose-win outcome. The combative and competitive negotiating styles are based on a win-lose attitude. Lose-lose outcomes most often occur when using the avoidance negotiating strategy.  
SOURCE: EI:062  
SOURCE: FD  
SOURCE: LAP-EI-062—Make It a Win-Win (Negotiation in Business)
18. D  
It is easy to steal or lose. Cash, more so than other forms of financial exchange, is easy to steal or lose. Carrying a large amount of cash on you places you at a higher risk for theft. Cash payments do not incur fees the way that some other forms of payment sometimes do. There is a relatively low risk of fraud with cash.  
SOURCE: FI:058  
SOURCE: SS  
SOURCE: Myers, C. (2017, November 21). *Advantages and disadvantages of the way customers pay businesses*. Retrieved September 14, 2018, from <http://smallbusiness.chron.com/advantages-disadvantages-way-customers-pay-businesses-22024.html>
19. A  
Currency. Currency is government issued specimen that are accepted as payment for goods and services. Credit cards, money market accounts, and certificates of deposit are not mediums of exchange.  
SOURCE: FI:059  
SOURCE: SS  
SOURCE: Investopedia.com. (2018, July 21). *Medium of exchange*. Retrieved September 18, 2018, from <http://www.investopedia.com/terms/m/mediumofexchange.asp#axzz25hjB0X28>

20. B

Earned income. Income is money that individuals and businesses receive from other sources. Marshall worked to receive wages from his employer, so he has earned income. Unearned income is revenue that individuals and businesses passively obtain. In these situations, individuals or businesses do not actually perform work to obtain the money. Dividends, rent, and transfer payments are examples of unearned income. Transfer payments are monies paid by the government for which no goods or services are received in exchange, such as welfare benefits, veterans' benefits, disaster aid, and unemployment. A capital gain refers to the amount of increase in value of an asset in relation to its price at the time of purchase.

SOURCE: FI:061

SOURCE: EI

SOURCE: Marquit, M. (2016, January 21). *Earned income vs. unearned income*. Retrieved September 14, 2018, from <http://plantingmoneyseds.com/earned-income-vs-unearned-income/>

21. D

Interest rate. The time value of money is the difference between the money's current purchasing power in relation to its purchasing power at a future date. For example, when people place their money in a savings account, they earn interest on the amount (principal) that they put into the account. If bank A pays a higher interest rate than bank B, an individual's principal will be worth more in the future by placing it in bank A. Premiums are free items that businesses offer to buyers of particular products. A credit limit is the maximum amount of money that can be owed on a credit account. Tariffs or duties are taxes on imported goods.

SOURCE: FI:062

SOURCE: SS

SOURCE: Carther, S. (2017, May 18). *Understanding the time value of money*. Retrieved September 18, 2018, from <http://www.investopedia.com/articles/03/082703.asp>

22. A

Credit. Businesses use credit to obtain goods and services to sell, and consumers use credit to purchase those goods and services. Interest is the fee that lenders charge borrowers for the use of credit. Capacity is the individual's ability to earn income, one of the three C's of credit. Collateral is anything of value belonging to the borrower which is pledged to the lender to guarantee that the loan will be repaid.

SOURCE: FI:002

SOURCE: CD

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

23. C

Bank. Bank credit cards can be used at any business that is affiliated with the system. This gives cardholders a wide range of businesses from which to choose. Retail store, hotel, and petroleum cards are issued by individual companies and may be used only at their facilities.

SOURCE: FI:002

SOURCE: CD

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

24. B

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: CD

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

25. B

Budget. Budget accounts are often used by furniture or appliance retailers as a form of short-term credit—for example, "90 days same as cash" means that customers can purchase goods on credit with the same advantages they would have with cash purchases. Budget accounts do not charge interest if the user makes payments on time. However, if a customer doesn't pay the amount in full by the end of the 90 days, s/he is subject to finance charges applying to the full time period. In revolving credit accounts, the maximum amount of money that the credit user can owe (also known as the credit limit) is set at the time the credit account is opened. Regular credit accounts are also known as open credit accounts because they allow credit users to buy at any time during a set period. At the end of that time, the person or business is expected to pay the entire amount that is due for the purchases made during that period. An installment credit account is designed to handle one credit transaction, which is paid in installments within a certain time period. The credit user makes a down payment and signs an agreement to pay monthly installments until the total is paid.

SOURCE: FI:002

SOURCE: CD

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

26. D

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. Social Security benefits are not likely to cover basic living expenses. Due to longer life spans, many people are in retirement longer than 15 years.

SOURCE: FI:064

SOURCE: FD

SOURCE: Lieber, R. (2018, January 9). *How to win at retirement savings*. Retrieved September 14, 2018, from <https://www.nytimes.com/guides/business/saving-money-for-retirement>

27. C

Limited. Limited resources occur when not enough of them are available for everyone to have as much as they desire. An unlimited resource is available to everyone in any quantity desired. A natural resource is a resource found in nature. A human resource is a person who works to provide goods and services.

SOURCE: EC:003

SOURCE: FD

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

28. C

Are less likely to become discouraged. Attainable goals are realistic and within reach, so one advantage to setting attainable goals is that you are less likely to become discouraged. Attainable goals will *not* make you work harder to achieve a very high goal—very high goals do not fit the definition of attainable. Being able to picture a goal in your mind is the result of setting a specific goal, not necessarily an attainable one. Being able to measure your progress is the result of setting a measurable goal, also not necessarily an attainable one.

SOURCE: FI:065

SOURCE: FD

SOURCE: Money Management International. (2018). *How to: Set and keep personal financial goals*. Retrieved September 18, 2018, from <http://www.moneymanagement.org/Budgeting-Tools/Credit-Articles/Money-and-Budgeting/How-To-Set-and-Keep-Personal-Financial-Goals.aspx>

29. D

Make a list of her goals. The first step to achieving financial goals is identifying the goals and making a list. Prioritizing financial goals comes after making a list of goals. After listing her goals and organizing them by importance, Scarlet will want to evaluate her budget and automate as many payments as possible.

SOURCE: FI:065

SOURCE: SS

SOURCE: Money Management International. (2018). *How to: Set and keep personal financial goals*. Retrieved September 18, 2018, from <http://www.moneymanagement.org/Budgeting-Tools/Credit-Articles/Money-and-Budgeting/How-To-Set-and-Keep-Personal-Financial-Goals.aspx>

30. D

\$172.44. To calculate how much money Fayth has budgeted for clothing, recreation, and entertainment, first add together the portions of her income that she plans to use for everything else ( $10\% + 38\% + 14\% + 20\% = 82\%$ ). She plans to devote 82% of her income to savings, housing and utilities, food, and transportation. Since she wants to set the rest of her pay aside for clothing, recreation, and entertainment, subtract the percentage of her income spent on everything else from 100% ( $100 - 82 = 18\%$ ). Finally, multiply her income per pay period by 18% to find how much money she plans to spend on clothing, recreation, and entertainment ( $\$958 \times 18\% = \$172.44$ ).

SOURCE: FI:066

SOURCE: SS

SOURCE: Clark. (2018). *How to create a budget, track your spending and reach your goals*. Retrieved September 12, 2018, from <http://clark.com/story/tracking-spending-best-way-maintain-budget/>

31. D

Keep receipts. When tracking expenses, it is important to use receipts as a record of spending in order for your budget to be accurate. Only using cash payments will not help you track expenses; actually, cash transactions are more difficult to track. Spending as little as possible will help you save money but will not necessarily make it easier to track expenses. Finally, fixed expenses are the same each month, so they generally do not have to be estimated.

SOURCE: FI:066

SOURCE: SS

SOURCE: Money Instructor. (2002-2018). *How to create a personal budget: Tracking expenses*. Retrieved September 18, 2018, from <http://content.moneyinstructor.com/423/creating-budget-expenses.html>

32. D

Compounding. Compounding takes place whenever you earn interest on interest. It has the potential to increase the value of an investment exponentially over time. Zach's original investment of \$300 grew by \$30 over the first year. In the second year, Zach experienced a 10% gain on his original \$300 plus on the additional \$30 that he had earned during the first year. In the third year, Zach experienced another 10% on his original \$300 plus on the additional \$63 that he had earned during the first two years. Opportunity cost refers to the trade-off that occurs when you choose one alternative over another. Banking services is a career area in which employees are primarily concerned with accepting deposits, lending funds, and extending credit to bank customers. Globalization refers to the rapid and unimpeded flow of capital, labor, and ideas across national borders.

SOURCE: FI:270

SOURCE: SS

SOURCE: Investopedia. (2018). *Compound interest*. Retrieved September 18, 2018, from <http://www.investopedia.com/terms/c/compoundinterest.asp?lgl=no-infinite>

33. C

Save money for emergency situations. It is important to allocate a portion of savings to pay for unexpected expenses that occur in day-to-day life. At some point, everyone will have a car or home appliance that breaks down and needs repaired or replaced. Individuals do not use long-term investments to pay for immediate or short-term expenses. If you don't save money for emergency situations, you may need to cut back on the money you spend on entertainment (e.g., going to the movies) for a while, but you shouldn't need to eliminate entertainment expenses altogether. Investing money that you receive from your tax return will not help you cover unexpected or emergency expenses.

SOURCE: FI:270

SOURCE: SS

SOURCE: Fowler, J. (2012, August 24). *Why an emergency fund is important?* Retrieved September 18, 2018, from <http://www.investopedia.com/financial-edge/0812/why-an-emergency-fund-is-important.aspx>

34. A

Investing can help you reach your long-term financial goals. Investing has a high rate of return that can allow you to save enough money to retire, send your children to college, and meet any other goals that you may have. It has a higher rate of return than savings accounts. However, investing is not a short-term deal. It takes time to accumulate wealth. Investing also brings risks, but it also can bring greater reward.

SOURCE: FI:270

SOURCE: SS

SOURCE: Quicken. (2018). *3 steps to financial planning for long-term goals*. Retrieved September 18, 2018, from <https://www.quicken.com/3-steps-financial-planning-long-term-goals>

35. B

Put her money in a savings account. For short-term financial goals, such as Viola's vacation, using a savings account is a better option than investing in the stock market. While Viola won't earn as much in interest as she would in returns, investments fluctuate frequently, are riskier, and take time to become profitable. Viola might lose more money than she makes before her trip. If possible, Viola should not take money from her emergency fund for a vacation because if she does, she will not have the money she needs if an emergency occurs. She also should not put the expenses for the trip on a credit card unless she already has the money to pay off the credit card saved; otherwise, she will get into financial trouble.

SOURCE: FI:270

SOURCE: IN

SOURCE: The Money Advice Service. (n.d.). *Should I save or invest money?* Retrieved September 18, 2018, from <https://www.moneyadviceservice.org.uk/en/articles/should-i-save-or-invest>

36. C

Local fire departments and local law-enforcement agencies. Local governments levy property taxes on land, commercial facilities, and residences within their jurisdictions. Revenues collected from property taxes pay for local services including local road repairs, public schools, fire departments, and law enforcement. The federal government uses the tax revenues that it collects in a variety of ways (e.g., income tax) to fund national security programs and federal correctional facilities. State/Provincial governments collect taxes (e.g., sales tax) to support all levels of education and social welfare initiatives within their jurisdictions.

SOURCE: FI:067

SOURCE: EI

SOURCE: Rosen, E. (2018). *Property tax basics*. Retrieved September 18, 2018, from <http://www.irs.com/articles/property-tax-basics>

37. C

Tax liability. A tax liability is tax that a person or business must pay the government. Certain events, like annual income, an inheritance, and money from the sale of an asset, are taxable. Since citizens must pay money on these sources of income, it is not untaxable income or a tax loophole. Sales tax is a type of tax that is paid on the sale of goods and services.

SOURCE: FI:067

SOURCE: EI

SOURCE: *Tax liability*. (2018). Retrieved September 18, 2018, from <http://www.investopedia.com/terms/t/taxliability.asp>

38. A

\$519.83. To calculate Brad's gross earnings last week, add together the number of hours that he worked, excluding holiday hours ( $11 + 8 + 9.5 + 9 + 9 = 46.5$ ). Next, determine his overtime hours by subtracting 40 from the total number of non-holiday hours he worked ( $46.5 - 40 = 6.5$ ). Calculate Brad's pay for the first 40 hours of his workweek by multiplying his regular pay by 40 hours ( $\$8.70 \times 40 = \$348.00$ ). Then, calculate his overtime hourly wage by multiplying his regular hourly pay by time and one-half ( $\$8.70 \times 1.5 = \$13.05$ ). Multiply his overtime hourly wage by the number of overtime hours worked ( $\$13.05 \times 6.5 = \$84.83$ ). Next, calculate his holiday pay per hour by doubling his regular hourly pay ( $\$8.70 \times 2 = \$17.40$ ). Multiply his holiday pay per hour by the number of holiday hours worked ( $\$17.40 \times 5 = \$87.00$ ). Finally, add together his regular pay, his overtime pay, and his holiday pay to find his total gross earnings for the week ( $\$348.00 + \$84.83 + \$87.00 = \$519.83$ ).

SOURCE: FI:068

SOURCE: EI

SOURCE: Lazarony, L. (2016, November 4). *How to read your paycheck: Understanding your pay stub*. Retrieved September 18, 2018, from <https://www.credit.com/personal-finance/how-to-read-your-paycheck-stub/>

39. C

Track the amount of money she has spent. A check is a negotiable instrument or bank draft made payable to a specific party for a specific amount of money. A check serves as a written promise to the check bearer that money is available in the issuer's bank account. Checks are a common form of financial exchange. Both individuals and businesses use checks to pay for goods and services such as rent, utilities, food, and supplies. When writing a check, an individual or business keeps a check register that records information about the transaction. This information includes the date the check is written, to whom the check is made payable, the amount of the check, and the check number. The register is a central location to record and track all of the checks written and the amount of money spent. Check registers do not help the check issuers determine when to add funds to a savings account, understand the checking account's restrictions and fees, or decide when to order new checks.

SOURCE: FI:069

SOURCE: EI

SOURCE: Mycreditunion.gov. (2018). *Understanding a check and balancing a checkbook*. Retrieved September 14, 2018, from <http://www.mycreditunion.gov/Pages/pocket-cents-understanding-a-check-and-balancing-checkbook.aspx>

40. C

Checkbook balance. Reconciling a bank statement is the process of determining any differences between the bank statement balance and the checkbook balance. A company's balance sheet is not part of maintaining a personal bank account or its records. Canceled checks and deposit slips are used during bank-statement reconciliation to determine if accurate records have been kept. An installment is a specific sum of money to be paid at regular intervals by the borrower to the lender.

SOURCE: FI:070

SOURCE: SS

SOURCE: Accounting Coach. (2018). *Bank reconciliation*. Retrieved September 18, 2018, from <https://www.capitalone.com/financial-education/money-basics/balancing-budget/balance-your-checkbook/>

41. D

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

SOURCE: FI:071

SOURCE: CD

SOURCE: Consumer.gov. (2018). *Using credit*. Retrieved September 18, 2018, from <https://www.consumer.gov/articles/1010-using-credit>

42. C

Pay his bills by the date they are due. The most important thing Eito can do to rebuild his credit is to pay his bills by the date they are due. A lot of new credit can hurt a person's credit history and Eito should not apply for more credit while he is trying to rebuild his credit score. Closing older credit cards is not the best choice because longer-term credit actually helps a person's credit score. Eito should try to lower the amount of money owed instead of increasing it.

SOURCE: FI:072

SOURCE: CD

SOURCE: Consumer.gov. (n.d.). *Your credit history*. Retrieved September 18, 2018, from <https://www.consumer.gov/articles/1009-your-credit-history#!what-to-know>

43. C

Identity theft. Monitoring financial accounts and reading bank statements helps you identify unusual transactions, purchases, or money withdrawals. If inconsistencies are detected, you can notify your financial-services providers to hold or close your accounts to prevent further use by identity thieves. Intellectual property infringement involves using copyrighted, trademarked, or patented property without the owner's permission. Hijacking is using force to seize a vehicle (e.g., aircraft, car) in transit. Securities fraud involves using deception to convince investors to purchase securities.

SOURCE: FI:073

SOURCE: FD

SOURCE: Bell, C. (2013, August 1). *7 ways to protect yourself from identity theft: Monitor credit and bank accounts closely*. Retrieved September 18, 2018, from <http://www.bankrate.com/finance/personal-finance/7-ways-protect-yourself-id-theft.aspx#slide=8>

44. B

\$26,450. Justin's taxable income is equal to his gross income minus any adjustments to income, deductions, and exemptions. Contributions to approved retirement plans, business losses, and alimony payments are all considered to be adjustments to income. So, to determine Justin's taxable income, subtract his contributions to his approved retirement fund, his exemption amount, and his standard deduction from his gross income for the year (\$37,800 - \$2,000 - \$3,650 - \$5,700 = \$26,450).

SOURCE: FI:074

SOURCE: EI

SOURCE: Ryan, J.S. (2012). *Personal financial literacy* (2nd ed.) [pp. 65-67]. Mason, OH: South-Western Cengage Learning.

45. D

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

SOURCE: FI:565

SOURCE: SS

SOURCE: BusinessDictionary. (2018). *Direct debit payment*. Retrieved September 18, 2018, from <http://www.businessdictionary.com/definition/direct-debit-payment.html>

46. D

Set aside two times a month to pay bills. By establishing a schedule for bill paying, you can help yourself pay your bills on time. Generally, paying bills at the middle and the end of each month is an effective schedule to follow. Paying bills as soon as they arrive results in lost interest that could be earned on your money. Many businesses offer customers the option of having the amount of their monthly bills directly deposited into the businesses' accounts rather than the businesses making deposits into customer accounts. Notifying businesses that you will be late making your payments will not keep the businesses from charging late fees on your bills.

SOURCE: FI:565

SOURCE: CD

SOURCE: eHow. (2017, July 27). *How to pay monthly bills on time*. Retrieved September 18, 2018, from [http://www.ehow.com/how\\_519\\_pay-monthly-bills.html](http://www.ehow.com/how_519_pay-monthly-bills.html)

47. D

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

SOURCE: FI:783

SOURCE: CD

SOURCE: Irby, L. (2018, August 27). *Credit card annual fee explained*. Retrieved September 18, 2018, from <https://www.thebalance.com/credit-card-annual-fee-explained-959986>

48. A

Credit union. Amira would likely be happy banking with a credit union. Credit unions are not-for-profit financial institutions that are owned by their members. Because of this, they have the customers' best interests at heart. They also usually have better interest rates and lower fees than some other types of financial institutions. If Amira enjoys doing her banking in person, an Internet bank would likely be a bad choice for her. Internet banks do all of their transactions online. Amira also wouldn't be happy with a commercial bank. Although commercial banks offer a wide array of services, they do not always offer good interest rates. Investment banks don't accept deposits, so they wouldn't be a good choice for Amira. Instead of dealing with the general public, investment banks typically work with businesses.

SOURCE: FI:075

SOURCE: SS

SOURCE: Investopedia. (n.d.). *Chapter one—Types of financial institutions and their roles*. Retrieved September 18, 2018, from <http://www.investopedia.com/walkthrough/corporate-finance/1/financial-institutions.aspx#axzz2Kb4hzk7e>

49. C

Fees. While you might be curious about your investment advisor's hometown, marital status, or personal wealth, these questions should not affect your hiring decision. However, the fees that the advisor charges are important because you need to make sure you can afford to pay the advisor. An advisor's fees can help you decide whether or not to hire him/her.

SOURCE: FI:076

SOURCE: IN

SOURCE: Taylor, S.J. (2014, May 13). *5 questions to ask before choosing a loan officer*. Retrieved September 18, 2018, from <https://money.usnews.com/money/personal-finance/articles/2014/05/13/5-questions-to-ask-before-choosing-a-loan-officer>

50. B

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

SOURCE: FI:076

SOURCE: FD

SOURCE: The Wall Street Journal. (n.d.). *How to choose a financial planner*. Retrieved September 18, 2018, from <http://guides.wsj.com/personal-finance/managing-your-money/how-to-choose-a-financial-planner/>

51. B

Ask herself, "What kinds of financial services do I want?" The first thing Rosie should do when selecting a financial-services provider is ask herself what kinds of financial services she wants. This will help her narrow down her focus. When she has an idea of what she wants out of a financial-services provider, she can ask about references, charges, and licenses.

SOURCE: FI:076

SOURCE: FD

SOURCE: Repke, W. (2012, February 4). *How to select a financial services provider*. Retrieved September 18, 2018, from [http://msue.anr.msu.edu/news/how\\_to\\_select\\_a\\_financial\\_services\\_provider](http://msue.anr.msu.edu/news/how_to_select_a_financial_services_provider)

52. A

Conservative. If you are nearing retirement, you want to preserve the money you've accumulated and make sure it's safe. Therefore, you need to invest conservatively, rather than aggressively or moderately. A tax-minimizing approach to investing is an approach you should use throughout your entire life, not just when nearing retirement.

SOURCE: FI:279

SOURCE: IN

SOURCE: Smith, L. (2018, April 6). *Using time horizons in investing*. Retrieved September 18, 2018, from <http://www.investopedia.com/articles/investing/110813/using-time-horizons-investing.asp>

53. D

Backgrounds of management. In fundamental analysis, both quantitative and qualitative factors are examined to help in determining a company's value. Quantitative factors include ratios and comparisons. Ratios are used to determine earnings per share and a company's profitability. A comparison of sales over a five-year period is an example of the type of comparisons that investors should make. Qualitative factors are subjective measures such as the company's product mix, the level of competition, backgrounds of management, strategies, and brand strength. Investors should examine both quantitative and qualitative factors to get a better picture of a business's value.

SOURCE: FI:280

SOURCE: IN

SOURCE: McClure, B. (2018). *Introduction to fundamental analysis*. Retrieved September 18, 2018, from <http://www.investopedia.com/university/fundamentalanalysis/>

54. A

The corporation's website. Public corporations are legally required to release their financial statements. Shareholders and potential investors evaluate the financial statements so they can make informed investing decisions. The financial statements are included in the company's annual report. One way that public corporations make their annual reports available for review is by posting them on their company websites. An employee handbook, a local newspaper, and a product catalog are unlikely to contain current financial information about a public corporation.

SOURCE: FI:274

SOURCE: IN

SOURCE: Financial Industry Regulatory Authority. (2018). *Stock up on information before buying stock*. Retrieved September 18, 2018, from <http://www.finra.org/investors/alerts/stock-information-buying-stock>

55. B

Net change. Newspapers, business publications, and websites publish a securities or stock table, which is a format used to list stock quotes. The table helps investors monitor the performance of their stocks. The net change is a column in the table that indicates the difference between a stock's closing price and the previous day's price, which may increase or decrease (drop). True value, net worth, and true yield are not terms that describe the difference between a stock's closing price and the previous day's price.

SOURCE: FI:275

SOURCE: IN

SOURCE: Dummies. (n.d.). *How to read a stock table*. Retrieved September 18, 2018, from <http://www.dummies.com/personal-finance/investing/how-to-read-a-stock-table/>

56. C

Investors have access to a fund manager's expertise. A mutual fund is a type of ownership investment that involves collecting money from many people and then investing it in an assortment of different securities such as stocks or bonds. The benefit to shareholders of placing money in mutual funds is that a well-trained fund manager has the expertise to make smart investment decisions on their behalf. Shareholders are not guaranteed a minimal amount of return on their mutual-fund investments, but because the funds are spread out among different securities, the risk of a total financial loss is reduced. Disadvantages to investing in mutual funds are that shareholders pay fees for someone to manage their investments, and the mutual-fund earnings are taxable.

SOURCE: FI:077

SOURCE: IN

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

57. A

Savings account. If Sheila doesn't like to take risks, wants to access all of her money at all times, and doesn't mind earning very little interest, she should consider a savings account. You're always able to access your money, but you receive a low return. A stock is much riskier than a savings account—you actually own part of the company, so you have the rights and responsibilities that go along with ownership. This means you can make a big profit, but you can also lose a large amount of money if the stock decreases in value or if the company goes out of business. While a certificate of deposit (CD) doesn't have a high risk, you aren't able to access your money at all for a set period of time. A money market account (MMA) is low risk, but you are only able to access some of your money each month, and you usually have to keep a certain amount of money in your account.

SOURCE: FI:077

SOURCE: IN

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

58. D

Collectibles and real estate. Ownership investments are those in which an individual purchases a portion or all of an item. Collectibles (e.g., coins and antiques), real estate (e.g., buildings and land), and stocks (shares of a corporation) are types of ownership investments. With a lending investment, you allow someone to borrow your money for a period of time. In return, you earn a fee or interest on the amount that you lend. Examples of lending investments are savings accounts, money market accounts, certificates of deposit, and bonds.

SOURCE: FI:077

SOURCE: IN

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

59. A

Potentially high fees. Mutual funds carry the advantage of professional management—however, it comes at a price. High fees may cut into a mutual fund investor's returns. Mutual fund investors don't risk their personal time and effort like entrepreneurs do. As ownership investments, mutual funds have a high potential for return. There is no penalty for early withdrawal from a mutual fund.

SOURCE: FI:077

SOURCE: IN

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

60. C

Stock. A stock (or share) is a piece of paper—whether real or virtual—that says an investor owns part of a corporation. As an owner (or shareholder), the investor has the rights and responsibilities of ownership (attending shareholders' meetings, voting, receiving a portion of the company's earnings, etc.). A money market account is a lending investment in which an individual lends a minimum amount of money to a bank to earn interest. Real estate is an ownership investment in which individuals purchase property in buildings and land. Collectibles are objects or items collected by someone who has an interest in the sport, activity, etc.; in investing, the collector hopes to eventually resell the items at a profit.

SOURCE: FI:077

SOURCE: IN

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

61. C

401(k) plans. Many employers offer 401(k) plans, which are defined-contribution pension plans, to their employees. Employees contribute to their 401(k) plans on a pretax basis, and many employers match employees' contributions up to a certain percentage. Both the employee's and employer's contributions become part of the employee's nest-egg for retirement. A traditional IRA (individual retirement account) is a personal savings plan that an employee can set up independent of her/his employer. Contributions to a traditional IRA are usually tax deductible, but the money in the account is taxed when it is withdrawn during retirement. Money contributed to a Roth IRA is not tax deductible, but the money withdrawn from a Roth IRA during retirement is not taxed. A Keogh plan is a defined contribution pension plan specifically for self-employed individuals. Contributions to a Keogh plan are typically tax-deductible, but withdrawals from the account during retirement are taxed.

SOURCE: FI:569

SOURCE: EI

SOURCE: Smart401K. (2018). *Company match*. Retrieved September 18, 2018, from <https://www.smart401k.com/resource-center/retirement-investing-basics/company-match>

62. B

Medical care. The cost of medical care tends to increase significantly later in life, and a good retirement plan considers how to meet those costs. Usually by the time of retirement, the costs of a mortgage have been eliminated. There is usually less need for life insurance later in life. Legal costs are not a big consideration of retirement planning.

SOURCE: FI:569

SOURCE: EI

SOURCE: Ryan, J.S. (2012). *Personal financial literacy* (2nd ed.) [pp. 318-319]. Mason, OH: South-Western Cengage Learning.

63. C

Investors can rely on reputable, independent sources for analysis of financial statements. By using reliable, independent sources, an investor can be relatively certain the EPS (and other) figures are consistent and useful. Financial ratios are useful to people besides financial managers and investors, including lenders, suppliers, and the government. A line-by-line analysis of a company's financial statements is not necessarily the best way to understand the value of a stock. As investors, we look at ratios that help us determine whether to buy, sell, or hold a company's stock. Finally, depending on a company's accounting policies, it's possible for earnings to be distorted. Accounting decisions, which directly affect earnings, are made at the discretion of each company.

SOURCE: FI:281

SOURCE: IN

SOURCE: Tucker, Joy. (2017, September 14). *The basics of financial statement analysis: from a credit professional's perspective*. Retrieved September 18, 2018, from <https://nacm.org/nacm-blog/3112-starters-guide-to-financial-statement-analysis.html>

64. B

Not very often. An investor should not sell his/her investments very often. Frequent selling is common in market timing. Investments that lose money in the short term are not necessarily bad performers over time. In general, investors should avoid selling for emotional reasons, such as "feeling like" making a change.

SOURCE: FI:284

SOURCE: IN

SOURCE: Gad, S. (2018, January 3). *When to sell a stock*. Retrieved September 18, 2018, from <https://www.investopedia.com/articles/stocks/10/when-to-sell-stocks.asp>

65. A

Health. Many businesses offer health insurance as part of their employee benefit plan. Some businesses pay all of the premiums for their employees' coverage while others charge their employees a portion of the expense. Health insurance often is an important part of an employee's overall compensation package. Automobile, property, and liability insurance usually are the responsibility of the individual employee.

SOURCE: FI:081

SOURCE: RM

SOURCE: Doyle, A. (2018, September 8). *Types of employee benefits and perks*. Retrieved September 19, 2018, from <https://www.thebalancecareers.com/types-of-employee-benefits-and-perks-2060433>

66. C

Liability. Liability insurance provides compensation for losses caused by injuries, accidents, and negligence. It protects businesses like Ruchita's from having to pay for liability-related costs themselves. Life insurance provides coverage to beneficiaries when the policyholder dies. Property insurance compensates business owners if their buildings, equipment, or inventory are damaged or lost. If a fire or flood wipes out a business's inventory, property insurance can help the business avoid complete financial ruin. Health insurance helps employees pay for their doctor visits, medicine, and any other health care related expenses.

SOURCE: FI:081

SOURCE: RM

SOURCE: Hamel, G. (n.d.). *Types of insurance explained*. Retrieved September 18, 2018, from <http://smallbusiness.chron.com/types-insurance-explained-41590.html>

67. C

Insurance policy. Transference is a risk-response strategy that involves moving the impact of a risk to someone or something else. An insurance policy, which is a common transference device, is a contractual agreement in which one company (the insurer) will pay for specified losses incurred by the other company (the insured) in return for installment payments (premiums). Smoke alarms help to mitigate or reduce the damage that a fire could cause to a property. A contingency plan is a set of specific guidelines and activities used when responding to undesirable circumstances. Businesses need to develop contingency plans in the event that risks that they have accepted actually occur. A risk checklist is a standardized list of risks that a business faces on a regular basis. It is often used to speed up the risk-identification process.

SOURCE: SM:075

SOURCE: RM

SOURCE: LAP-SM-075—Prepare for the Worst; Expect the Best (Nature of Risk Management)

68. B

Price quotation. A price quotation is an estimate of the costs associated with a project or product. Companies (e.g., advertising agencies) often provide specifications that require one or more vendors to provide them with a price quotation to complete a particular business activity, such as a catalog or brochure print job. The price quotation allows the company or agency to determine which vendor would best meet their needs in a cost-effective manner. After completing the project, the vendor sends an invoice (bill) to the agency. If the agency thinks that the bill is too high, it can refer to the price quotation it was given before beginning the project and compare the quotation with the bill. The printer's item number, delivery date, and inventory reports would not be helpful in determining if there are cost-associated problems on the invoice.

SOURCE: FI:327

SOURCE: SS

SOURCE: Business Dictionary. (2018). *Quoted price*. Retrieved September 18, 2018, from <http://www.businessdictionary.com/definition/quoted-price.html>

69. A

The invoice originator. An invoice is a bill for goods or services provided by a vendor to another company. If an advertising agency employee has a question about an invoice that s/he received from a vendor, s/he should contact the invoice originator, which is most often the vendor that provided the goods or services. The agency's accounts receivable clerk, the departmental supervisor, and the agency's attorney may not be able to answer specific questions about a vendor's invoice.

SOURCE: FI:327

SOURCE: SS

SOURCE: Accounting Coach. (2018). *Accounts payable*. Retrieved September 18, 2018, from <http://www.accountingcoach.com/accounts-payable/explanation/2>

70. B

\$1,500. To calculate the future value of her investment, multiply the principal by the simple interest rate ( $\$6,000 \times 0.05 = \$300$ ). Then, multiply that product by the number of years ( $\$300 \times 5 = \$1,500$ ).

SOURCE: FI:238

SOURCE: IN

SOURCE: Ryan, J.S. (2012). *Personal financial literacy* (2nd ed.) [pp. 163-165]. Mason, OH: South-Western Cengage Learning.

71. D

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

SOURCE: FI:572

SOURCE: FD

SOURCE: AICPA. (2018). *Estate planning basics*. Retrieved September 22, 2018, from <http://www.360financialliteracy.org/Topics/Retirement-Planning/Estate-Planning-Basics>

72. B

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

SOURCE: FI:625

SOURCE: CD

SOURCE: U.S. Bank. (2018). *What is the APR on a mortgage?* Retrieved September 13, 2018, from <https://www.usbank.com/home-loans/mortgage/what-is-mortgage-apr.aspx>

73. C

Flexible scheduling. Offering a flexible schedule or flex-time is a work-life balance benefit that many employees desire to have, so it may help attract and keep top employees. Competitive pay, worker's compensation, and health insurance do not represent benefits that help an employee manage work-life balance.

SOURCE: HR:467

SOURCE: EI

SOURCE: Johnston, K. (n.d.) *What are the components of a comprehensive total rewards and motivation system?* Retrieved September 18, 2018, from <http://smallbusiness.chron.com/components-comprehensive-total-rewards-motivation-system-36942.html>

74. C

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

SOURCE: NF:079

SOURCE: FD

SOURCE: Elmer E. Rasmuson Library. (2018). *Evaluating information resources*. Retrieved September 18, 2018, from <http://library.uaf.edu/lis101-evaluation>

75. B

Her insurance company. Since Jamie has comprehensive insurance coverage, all damages will be covered by her insurance company even though Jamie is at fault for the accident. The other driver's insurance company would not pay for Jamie's damages since Jamie was at fault. Since the other driver was not at fault, s/he is not responsible for the damages.

SOURCE: OP:372

SOURCE: RM

SOURCE: Ryan, J.S. (2012). *Personal financial literacy* (2nd ed.) [pp. 208-209]. Mason, OH: South-Western Cengage Learning.

76. C

Overestimates the amount of loss. Fraud is a deception purposely carried out to secure unfair or unlawful gain. If a business deliberately overestimates the amount of loss in an attempt to receive a larger settlement, it might be involved in insurance fraud. The business is trying to obtain compensation for a loss it did not incur. A business is not involved in insurance fraud if it attempts to reduce the coverage, calculates the value of property, or limits its scope of liability.

SOURCE: OP:187

SOURCE: RM

SOURCE: FBI. (2018). *Insurance fraud*. Retrieved September 18, 2018, from <https://www.fbi.gov/stats-services/publications/insurance-fraud>

77. D

Dynamic. Goals are dynamic, meaning they are flexible and can be changed. In this case, Chris changed his career goal from grooming horses to giving riding lessons. Good goals are specific, measurable, and effective, but Chris's example does not illustrate these traits.

SOURCE: PD:018

SOURCE: FD

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

78. B

Clarifying the goal in your own mind. A benefit of writing down your goal is being able to clarify it in your own mind as you look at it on paper. Changing your goal when necessary is a benefit of reviewing and updating your goal regularly. Sequencing smaller subgoals is a benefit of breaking down your main goal. And, picturing what it would be like to reach your goal is visualizing your goal.

SOURCE: PD:018

SOURCE: FD

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

79. C

Asking questions. Before individuals can make decisions, they need to obtain information about the problem or situation. One way of gathering information is to ask questions of friends, family, coworkers, or supervisors. Asking questions enables individuals to gather additional information that may be useful in helping them make good decisions. Watching movies, writing letters, and reading novels are not ways of obtaining information to use in decision-making.

SOURCE: PD:017

SOURCE: FD

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

80. B

Logic. Decision-making is the process of choosing among alternatives. Many factors influence how a person makes decisions. When a businessperson gathers facts, and reviews them from a variety of perspectives without bias, s/he is using logic to make a decision. Emotions are feelings based on attitudes, values, and temperament. Intuition is a person's "gut feeling" or insight about something. Experiences are past occurrences. Emotions, intuition, and experiences are internal factors that often affect a person's decisions; however, these options do not involve objectively reviewing facts from a variety of perspectives.

SOURCE: PD:017

SOURCE: FD

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

81. D

Job shadowing. To obtain information about specific occupations and careers, it is sometimes possible to follow an employee who performs a certain job. This is an example of job shadowing, and gives an individual the opportunity to find out exactly what a certain job involves. An individual might follow an employee for a few days, watch what the employee does, listen to conversations with coworkers, and possibly help with simple tasks. Volunteering involves donating time to complete a project. An internship is training in which schools and businesses cooperate to provide on-the-job practice for learners.

Although an individual shadowing an employee might ask questions, following an employee is not an example of interviewing.

SOURCE: PD:022

SOURCE: EI

SOURCE: Doyle, A. (2018, August 21). *What is job shadowing and how it can help your career*. Retrieved September 18, 2018, from <https://www.thebalancecareers.com/what-is-job-shadowing-2062024>

82. C

Aptitudes. Aptitudes are abilities needed for a specific job or the natural talents for learning specific skills. Individuals should find out if they have the aptitudes to do the jobs that are of interest to them. For example, a person who is interested in banking might not do well in math courses. Although the person has an interest in banking, s/he does not have the aptitude to be successful in that occupation. Behavior is the manner in which individuals act. Attitude is the way a person looks at life. Patience is the ability to endure life's aggravations and difficulties calmly.

SOURCE: PD:023

SOURCE: EI

SOURCE: Johnson O'Connor Research Foundation. (n.d.). *Interests vs. aptitudes*. Retrieved on September 19, 2018, from <http://www.jocrf.org/aptitudes/interests-vs-aptitudes>

83. B

Math teacher. Individuals must consider many personal factors when deciding which career to pursue, including their interests, aptitudes, and personality traits. When determining the career in which she will be most happy and successful, Alexa must consider all of these factors. Because she enjoys working with children and has an aptitude for helping them understand puzzles and numerical formulas, she might consider a career as a math teacher. Graphic designers, computer programmers, and financial planners should have an aptitude for mathematical concepts, but these careers do not involve working with children.

SOURCE: PD:023

SOURCE: EI

SOURCE: Johnson O'Connor Research Foundation. (n.d.). *Interests vs. aptitudes*. Retrieved on September 19, 2018, from <http://www.jocrf.org/aptitudes/interests-vs-aptitudes>

84. C

Customer service representative. There are many employment opportunities in the marketing segment of business. Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers, and for managing customer relationships in ways that benefit the organization and its stakeholders. As a result, customer service is an important part of marketing.

Individuals who want to pursue a career in marketing often obtain entry-level positions as customer service representatives. This position gives them experience in working with customers and learning the business's product. Then, they often have the opportunity to move up in the marketing department. Junior bookkeeper, apprentice plant manager, and assistant office supervisor are not entry-level positions in marketing.

SOURCE: PD:025

SOURCE: EI

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

85. D  
Salary requirements. It is not necessary for applicants to specify their salary requirements on a job application. Applicants usually want to have the opportunity to discuss salary in person rather than run the risk of asking for too much or too little before obtaining an interview. Educational background, contact information, and professional experience are examples of the types of information that should be included in a job application.  
SOURCE: PD:027  
SOURCE: EI  
SOURCE: GFCLearnFree. (1998-2018). *Job applications: Completing a job application*. Retrieved September 18, 2018, from <https://www.gcflearnfree.org/jobapplications/completing-a-job-application/1/>
86. D  
Write in "unknown." On occasion, people will encounter questions on employment applications for which they do not know the answer. When this situation occurs, it is acceptable to write "unknown" in the space. This indicates that the applicant has read the question but either doesn't have the information available or doesn't know the answer. It is always better to write in "unknown" or "NA" than to leave a blank space that might make an employer think that an applicant forgot to answer the question. Applicants should never make up answers. Employment applications are not allowed to contain the types of questions that would obtain strictly personal information from applicants, such as age or religious preference.  
SOURCE: PD:027  
SOURCE: EI  
SOURCE: GFCLearnFree. (1998-2018). *Job applications: Completing a job application*. Retrieved September 18, 2018, from <https://www.gcflearnfree.org/jobapplications/completing-a-job-application/1/>.
87. C  
A job interview for the applicant. A letter of application is often called a cover letter because it is usually sent along with a résumé. The intent of the job applicant is to obtain a job interview by introducing him/herself in the letter and presenting background information in the résumé. A job seeker who receives a letter in response to a letter of application is not likely to be receiving good news since most businesses use letters to reject applicants. The business may respond by telephoning the applicant or asking for a résumé if none has been sent, but setting up an interview is the most desirable outcome for the applicant.  
SOURCE: PD:030  
SOURCE: EI  
SOURCE: GFCLearnFree. (1998-2018). *Crafting your cover letter*. Retrieved September 18, 2018, from <https://www.gcflearnfree.org/coverletters/crafting-your-cover-letter/1/>
88. B  
On the Internet. People often write letters of application when responding to jobs listed online. The purpose of the letter is to briefly explain the person's qualifications for the advertised job. The letter of application, or cover letter, usually accompanies the person's resume. People usually do not find job leads in publicity brochures. People who see "help wanted" signs in store windows generally apply in person rather than write letters of application. Finally, a letter of application is less likely when the job is found through networking because the person has already had the chance to explain his/her qualifications while networking.  
SOURCE: PD:030  
SOURCE: EI  
SOURCE: Isaacs, K. (2018). *Should you always send a cover letter?* Retrieved September 18, 2018, from <https://www.monster.com/career-advice/article/cover-letter-point-counterpoint>

89. A

Former employers. The reference section of a résumé should list two or three people who can provide information about you. The best references are former employers, because they can accurately describe your work habits, abilities, and attitudes toward the job. Prospective employers will want to contact these references to find out if you performed satisfactorily in former positions. Potential employers usually do not want to contact your classmates, family members, and coworkers because they are personal references who may be unable to provide unbiased information about you.

SOURCE: PD:031

SOURCE: EI

SOURCE: Doyle, A. (2018, August 22). *How to list references on a resume*. Retrieved September 18, 2018, from <https://www.thebalancecareers.com/should-you-include-references-on-your-resume-2062976>

90. B

Lengthy. Effective résumés should provide sufficient information to adequately explain the applicant's qualifications without being lengthy. Most employers have limited time and want to be able to obtain the important information in a résumé as quickly as possible. The ideal résumé is one page in length and presents important facts in as few words as possible. The information in a résumé should be concise but also as specific and detailed as necessary in order to provide an accurate explanation of the applicant's qualifications.

SOURCE: PD:031

SOURCE: EI

SOURCE: Monster. (2018). *4 secrets of writing a short, sweet and successful resume*. Retrieved September 18, 2018, from <https://www.monster.com/career-advice/article/secrets-of-short-successful-resume>

91. D

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

SOURCE: PD:155

SOURCE: CD

SOURCE: Curtis, G. (2017, November 27). *Different needs, different loans*. Retrieved September 18, 2018, from [http://www.investopedia.com/articles/pf/07/loan\\_types.asp](http://www.investopedia.com/articles/pf/07/loan_types.asp)

92. B

Protect customers from unfair or discriminatory treatment. Insurance companies are regulated and supervised in order to protect insurance customers from various unfair or discriminatory practices. Insurance companies are not regulated in order to maximize the profits of the insurance industry, to improve the relationships among insurance companies, or to encourage insurance companies to be more efficient.

SOURCE: PD:289

SOURCE: RM

SOURCE: Rocky Mountain Insurance Information Association. (2018). *Insurance regulation*. Retrieved September 18, 2018, from [http://www.rmiia.org/industry/Insurance\\_Regulation.asp](http://www.rmiia.org/industry/Insurance_Regulation.asp)

93. B

Lower than an individual policy. Health insurance purchased through an employer usually costs less than individual policies because it can be purchased at group rates. Some employers pay a portion of health insurance costs, but many offer the opportunity and let the employee pay the entire cost. The government does not typically cover the employee's cost for a health insurance policy.

SOURCE: PD:320

SOURCE: RM

SOURCE: Ryan, J.S. (2012). *Personal financial literacy* (2nd ed.) [p. 47]. Mason, OH: South-Western Cengage Learning.

94. D

Require little or no experience. Entry-level jobs are the beginning point in most occupations because they require little or no experience. Many people entering the workplace for the first time do not have a lot of work experience, if any. Therefore, they often begin their careers in entry-level jobs to gain the experience they need to be able to advance and move up the career ladder. Not all entry-level jobs offer very low compensation. Many entry-level jobs are the stepping stones to advancement once workers have more experience. Entry-level jobs are available in all types of businesses, regardless of size.

SOURCE: PD:034

SOURCE: EI

SOURCE: Heathfield, S. (2018, September 13). *An entry-level job: a foot in the door*. Retrieved September 18, 2018, from <https://www.thebalancecareers.com/what-is-an-entry-level-job-1918126>

95. A

Buy. When Jack tells his broker he wants to purchase 50 shares of ABC stock, he is placing a buy order. A stop order is a buy or sell order that instructs a broker to execute a trade when a certain price is reached or passed. A limit order is a buy or sell order that specifies a price limit at which to execute the trade. A sell order instructs a broker to sell a stock, not to purchase it.

SOURCE: PD:236

SOURCE: IN

SOURCE: Folger, J. (n.d.) *Introduction to order types: Duration*. Retrieved September 15, 2018, from <http://www.investopedia.com/university/intro-to-order-types/duration.asp>

96. A

Testing products very carefully. Even though products have been well designed, they should also be thoroughly tested before they are put on the market. The tests should be done according to the ways in which consumers will use the products. Promoting products to target audiences is an aspect of promotion. Modifying products to meet consumer demand and marketing them in new geographic areas are aspects of product/service management but are not involved with consumer protection.

SOURCE: PM:017

SOURCE: FD

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

97. D

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

SOURCE: PM:017

SOURCE: FD

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

98. A

They can increase a business's expenses. Government regulations often increase a business's expenses. These added expenses may result from efforts to comply with the law and to produce safe products. Or they may result from failing to comply with the law and producing unsafe products. Product development can become more expensive because of government regulations. Because of government regulations, businesses often have to spend time and money to correct problems. Businesses must often carry more insurance to protect themselves.

SOURCE: PM:017

SOURCE: FD

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

99. B

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

SOURCE: SE:392

SOURCE: FD

SOURCE: O'Connell, B. (2016, October 29). *Yes, you can negotiate fees with your financial advisor*. Retrieved September 14, 2018, from <https://www.thestreet.com/story/13864666/1/yes-you-can-negotiate-fees-with-your-financial-advisor.html>

100. C

Pure. A flood is a pure risk because it only brings the possibility of loss or no loss, but no gain. A speculative risk can bring loss, no change, or gain. A financial risk is a financial event or situation that directly impact's a company's cash flow, such as inflation or accounting errors. An operational risk is caused by employees' actions or by routine business activities.

SOURCE: SM:075

SOURCE: RM

SOURCE: LAP-SM-075—Prepare for the Worst; Expect the Best (Nature of Risk Management)