



SAMPLE EXAM

PERSONAL FINANCIAL LITERACY

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

PERSONAL FINANCIAL LITERACY **PFL**

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

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1. Which of the following statements is true of legally binding contracts:
 - A. Breaking one results in a lawsuit and possibly jail time.
 - B. They are not valid unless written.
 - C. They clearly outline both sides of an agreement.
 - D. They are enforceable for legal and illegal acts.

2. Pedro Sanchez works as a loan processor for the MON Company, which is located in Smithville. Pedro has recently approved an application to extend a \$10,000 line of credit to Mrs. Jones. Who is the creditor in this situation?
 - A. MON Company
 - B. Pedro Sanchez
 - C. Mrs. Jones
 - D. City of Smithville

3. One of the aims of regulating the insurance industry is to
 - A. reduce the risk of gaps in coverage.
 - B. raise insurance prices.
 - C. create challenges for insurance agents.
 - D. make coverage more exclusive.

4. Regulatory agencies in the security and investment industry aim to keep markets fair by
 - A. banning illegal insider trading.
 - B. requiring corporate taxes.
 - C. preventing hiring discrimination.
 - D. prohibiting misleading advertisements.

5. Financial managers who are legally responsible for their clients' investments must demonstrate fiduciary responsibility, which involves
 - A. making risky investments without their clients' knowledge.
 - B. selling financial products that generate the highest commissions.
 - C. acting in the best interests of their clients.
 - D. speaking with their clients once a year to review their portfolios.

6. Jana Rockford works at Main Street Savings and Loan. As a teller, what is one of Jana's job responsibilities?
 - A. Making commodities trades on behalf of her clients
 - B. Managing her customers' retirement funds
 - C. Telling her customers about banking products
 - D. Processing payroll for business clients

7. Jonathan, an insurance agent, explains both the pros and cons of his products to all of his customers to help them decide which policies to purchase. Hank, also an insurance agent, explains to his customers why they should purchase his products, but he doesn't talk about anything negative before making a sale. Based on this information, which agent is more likely to retain and grow his client base?
 - A. Jonathan, because his customers feel that they can trust him.
 - B. Jonathan, because he gives his customers too much information.
 - C. Hank, because he doesn't scare his customers away.
 - D. Hank, because he is a very optimistic, upbeat person.

8. What type of economic resource is being described in the following situations: salespeople waiting on customers, managers instructing employees, and insurance agents selling policies?
 - A. Capital
 - B. Limited
 - C. Human
 - D. Natural

9. The desire for an item that has monetary value is a(n) _____ want.
- A. intangible
 - B. noneconomic
 - C. economic
 - D. unlimited
10. Societies must decide how to allocate their scarce resources between the production of
- A. capital and consumer goods.
 - B. domestic and foreign products.
 - C. simple and complex items.
 - D. machine and handmade goods.
11. Michelle is trying to decide which goods and services to purchase so that she can get maximum satisfaction. Michelle is
- A. economizing.
 - B. creating scarcity.
 - C. a producer.
 - D. increasing distribution.
12. Businesses should view negotiation as a way to
- A. get the action they want.
 - B. get something done.
 - C. build strong relationships.
 - D. keep negative people quiet.
13. The collaborative negotiating style benefits both parties and often results in a _____ - _____ outcome.
- A. lose-win
 - B. win-win
 - C. win-lose
 - D. lose-lose
14. How can you show that you're actively listening in a negotiation?
- A. Think about what you'll say next while the other person is speaking.
 - B. Repeat or summarize the other person's statements.
 - C. Respond emotionally to what the other person says.
 - D. Keep a positive, open, and objective attitude.
15. Which of the following is a major cost that every new business startup must plan for:
- A. Continuous improvement costs
 - B. Expansion costs
 - C. Capital expenditures
 - D. Legal battles
16. The disadvantage to using credit cards to pay for goods and services is that you
- A. establish a credit rating.
 - B. pay interest on purchases.
 - C. earn quarterly dividends.
 - D. defer cash payments.
17. The yen, peso, and euro are types of
- A. stock.
 - B. bonds.
 - C. money.
 - D. dollars.

18. Which of the following forms of income would be considered unearned income:
- A. Union strike benefits
 - B. A personal salary
 - C. Tips from waiting tables
 - D. Interest from a savings account
19. People who are saving for retirement are advised to save enough money to account for inflation because dollars used in the future will have
- A. lower exchange rates.
 - B. higher spending power.
 - C. less spending power.
 - D. higher exchange rates.
20. Lauren wants to get credit through a financial institution that is owned by its members. Which source of credit is she most likely to use?
- A. A credit union
 - B. A commercial bank
 - C. A savings and loan association
 - D. A sales finance company
21. Which of the following is a benefit of credit cards:
- A. The convenience of buying now and paying later
 - B. The ability to spend unlimited money
 - C. No interest fees on unpaid credit balances
 - D. No impact on your ability to receive loans
22. What do many individuals establish when planning for future financial needs?
- A. Living will
 - B. College fund
 - C. Emotional intelligence
 - D. A work history
23. Don has worked at a factory for over 30 years and is looking forward to his retirement. Which of the following is the best way for him to insure a financially secure retirement:
- A. Count on receiving an inheritance
 - B. Save more than he spends
 - C. Ignore his factory's savings plan
 - D. Retire later than planned
24. You are more likely to achieve your goals if they are
- A. based on needs only.
 - B. written down.
 - C. long term.
 - D. short term.
25. Brandon is developing a financial plan, and one of his goals is to save enough money to buy a new car in two years. Has Brandon set a SMART goal?
- A. No, his goal is not specific or measurable.
 - B. No, his goal is not attainable or results-oriented.
 - C. Yes, his goal is time-bounded and measureable.
 - D. Yes, his goal is attainable and specific.
26. Which of the following is an accurate statement regarding the setting of personal financial goals:
- A. Wealthy people do not need to make financial plans because they have vast income sources.
 - B. Financial goals cannot be realistically set until a personal budget has been established.
 - C. People need to set their goals very high, or they won't be motivated to achieve them.
 - D. Debt must be eliminated before people can determine other personal financial goals.

27. What can you do to prepare for unexpected setbacks to reaching financial goals?
- Reduce any unnecessary expenses.
 - Avoid taking risks in your career.
 - Refinance your mortgage.
 - Put off bills and short-term payments.
28. Valerie is developing a personal budget for the first time. Which of the following is the first step she should take:
- Know her income
 - Set her financial goals
 - Estimate her fixed expenses
 - Adjust her debt payments
29. Ben saves 18% of his weekly income so that he can purchase a new car. His monthly income is \$2,600. How much car money will Ben have in 75 weeks?
- \$8,775
 - \$8,424
 - \$8,100
 - \$9,000
30. Which of the following are examples of expenses that should be considered when developing a personal budget:
- Rent, entertainment, and insurance
 - Insurance, dividends, and utilities
 - Food, utilities, and salary
 - Entertainment, wages, and utilities
31. When developing a personal budget and determining net cash flow, it is important to keep detailed records of all
- income and spending.
 - set monthly expenses.
 - income sources.
 - charitable contributions.
32. When you use money to make money, you are
- investing.
 - saving.
 - rationing.
 - reimbursing.
33. Which of the following is a long-term financial goal:
- Saving money for a vacation that will take place in six months
 - Obtaining funds so you can make a down payment on a house now
 - Investing 18% of your annual income so you can retire at the age of 60
 - Allocating funds from your monthly income to pay for utilities
34. Which of the following is an example of a personal liability:
- Mutual funds
 - Vacation home
 - Mortgage
 - Treasury bills
35. Which of the following best explains how income taxes reduce your net income:
- They are subtracted from net income.
 - They are subtracted from gross income.
 - You must save money to pay for them.
 - They are calculated based on net income.

36. Before choosing securities in which to invest your money, your first step is to
- investigate options online.
 - identify your goals.
 - select a stock screener.
 - evaluate the market cap.
37. Which of the following is the best source of information regarding your gross pay, deductions, and net pay:
- Pay stub
 - Bank
 - W-4
 - Timecard
38. When filling out a check, which of the following is written in the "pay to the order of" area:
- The total check amount spelled out in words
 - Name of bank institution cashing the check
 - Name of person or business receiving the funds
 - Name of bank institution holding the funds
39. Which of the following is an important type of financial record that individuals should maintain in order to manage their finances:
- Insurance policy
 - Cashier's check
 - Product warranty
 - Travel report
40. When reconciling a bank statement, you use checkmarks to do which of the following:
- Total the interest you have received.
 - Correct the deposits you have missed.
 - Void the checks you have ruined.
 - Identify the items you have compared.
41. When Armand is comparing his checkbook balance with his bank statement, he must make sure that he has subtracted the _____ from his checkbook.
- transaction fees
 - accumulated interest
 - payroll deposits
 - check numbers
42. The wise use of credit involves comparing the various offers of credit to determine the
- affiliated banks.
 - total costs.
 - yearly taxes.
 - company sponsors.
43. Why is it important for individuals to periodically validate their credit histories?
- To understand credit laws
 - To avoid being denied credit
 - To find out about different types of credit
 - To protect themselves from slander
44. Individuals can verify the accuracy of their credit histories by reviewing a _____ that is obtained from a _____.
- credit certificate; credit union
 - bank statement; financial institution
 - lending statement; tax agency
 - credit report; credit bureau

45. Immediately contacting the credit card company if credit cards are lost is one way to protect against
- A. financial risk.
 - B. excessive penalties.
 - C. identity theft.
 - D. high interest rates.
46. What can you do to prevent identity thieves from getting your personal information?
- A. Shred or tear up important financial documents.
 - B. Review your credit report every five years.
 - C. Pay the entire balance on credit cards monthly.
 - D. When borrowing money, insist on a fixed-rate loan.
47. Which of the following is a likely consequence you might face if your identity is stolen:
- A. Termination from your job
 - B. Rising auto insurance rates
 - C. Inability to access credit reports
 - D. Imprisonment or fines
48. When you prepare governmental income tax forms for submission, why should you use tax deductions to reduce your taxable income?
- A. You can qualify for a lower tax rate.
 - B. You won't have to pay any taxes.
 - C. You can increase your gross income.
 - D. You can decrease your net income.
49. Interest paid on a loan can be understood as compensation to _____ for _____.
- A. the borrower; spending now rather than later
 - B. the borrower; repaying on time
 - C. the lender; avoiding bad investments
 - D. the lender; taking a risk
50. Deacon has a credit card with an APR of 20% that uses an adjusted balance method to calculate interest. If he uses the credit card to purchase a \$600 item and pays \$200 per billing period, how much total interest will Deacon pay during the first three billing periods?
- A. \$10.00
 - B. \$48.21
 - C. \$25.30
 - D. \$20.44
51. Nina needs to buy her textbooks for college. Instead of getting them from the school bookstore, she finds a way to rent them online for much less money. Nina is
- A. a victim of a scam.
 - B. impulse buying.
 - C. comparison shopping.
 - D. investing rather than saving.
52. Which of the following is an advantage of using an online brokerage firm:
- A. 24-hour account access
 - B. Personal guidance from a live broker
 - C. Additional financial products and services
 - D. High commissions

53. Individuals or families who want to purchase protection against financial loss would most likely consult a(n)
- A. stock broker.
 - B. insurance agent.
 - C. financial advisor.
 - D. real estate agent.
54. Stacia claims that her former investment broker encouraged her to make excessive trades just to collect the commission fees from each one. Stacia is accusing her former broker of
- A. skimming.
 - B. churning.
 - C. bundling.
 - D. flighting.
55. Which of the following is a way to evaluate financial advisors:
- A. Select the first financial advisor you can find.
 - B. Determine if you and the advisor share the same investment philosophy.
 - C. Find the advisor who steers you toward complex investments.
 - D. Choose the advisor with the most degrees and certifications.
56. When Jack examines the balance sheet of a company, he sees a "picture" of the company's
- A. accounting method.
 - B. financial situation.
 - C. income statement.
 - D. pretax profit.
57. If you are investing for a goal that you hope to reach within three years, you are investing for a(n)
- A. risk-tolerant time horizon.
 - B. intermediate-term time horizon.
 - C. long-term time horizon.
 - D. short-term time horizon.
58. When you study a company's business model, product mix, competition, and brand, you are studying
- A. objective characteristics.
 - B. quantitative measures.
 - C. industry characteristics.
 - D. qualitative measures.
59. Which of the following strategies would enable investors to take advantage of fluctuations in stock prices:
- A. Value stock investments
 - B. Diversification
 - C. Growth stock investments
 - D. Dollar-cost averaging
60. What is the main purpose of diversifying investments?
- A. To eliminate income tax
 - B. To avoid penalty fees
 - C. To increase liquidity
 - D. To reduce risk
61. Which of the following is not found in a company's annual report:
- A. A listing of all the things that went wrong
 - B. What the company did that year
 - C. What the important achievements were
 - D. Some ideas about where the company will go next

62. Which of the following components of a securities table indicates the last price paid when trading ended for the day:
- A. Close
 - B. Net change
 - C. Volume
 - D. Yield
63. Of the following ownership investments, which involves owning objects that gain or lose value over time:
- A. Stocks
 - B. Stock mutual funds
 - C. Real estate
 - D. Collectibles
64. Why is it important for individuals to establish investment goals?
- A. To borrow capital
 - B. To buy common stock
 - C. To reduce overall debt
 - D. To plan for the future
65. The face value of a corporate bond is the amount
- A. an investor receives on the date of maturity.
 - B. of interest that is paid on a yearly basis.
 - C. an investor pays plus a quarterly dividend.
 - D. a business believes the bond is worth.
66. Althea just received her first paycheck at work. She's excited, but as she looks at her pay stub she gets confused. She wants to know how much money she made in this pay period, but there are so many different numbers. If Althea wants to know how much money will actually be deposited in her bank account, she should look at the
- A. federal income tax.
 - B. gross pay.
 - C. net pay.
 - D. state tax.
67. One of the benefits of buying whole-life insurance is that over time
- A. it builds up cash value.
 - B. the deductible decreases.
 - C. it pays high interest.
 - D. the face value increases.
68. Which of the following statements accurately explains the concept of homeowner's insurance?
- A. Homeowners' insurance is protection purchased by a risk-sharing firm or insurance company from individual homeowners.
 - B. Homeowners' insurance is purchased following a disaster to provide financial reimbursement for losses sustained.
 - C. Homeowner's insurance protects the homeowner from associated risks such as damage or injuries to others.
 - D. Homeowner's insurance protects an owner from the loss of his/her home if s/he should become disabled and have to claim bankruptcy.
69. A business experienced \$125,000 worth of property damage as a result of a recent hurricane. Calculate the settlement if the business's insurance company pays 90% of the value of the damages and the business has a \$1,500 deductible.
- A. \$123,500
 - B. \$105,000
 - C. \$112,500
 - D. \$111,000

70. What should you do first if you think there is an error in one of your bills?
- A. Call the company and ask them to review the charges.
 - B. Refuse to pay the bill.
 - C. Pay the bill and hope the error is resolved on the next bill.
 - D. File a lawsuit against the company.
71. Amelia places \$250 in a savings account that pays 6.25% interest compounded annually. Calculate the value of her savings account in two years.
- A. \$274.86
 - B. \$282.23
 - C. \$290.60
 - D. \$297.77
72. You received a check on your birthday for \$2,000. If you invest it at an annual rate of 3%, how much will it be worth in a year?
- A. \$2,000
 - B. \$2,060
 - C. \$6,000
 - D. \$2,600
73. Marvin is drawing up his will. He wants to leave all of his money to his daughter, so he claims her as his
- A. executor.
 - B. beneficiary.
 - C. probate.
 - D. conservator.
74. Mia's loan application was rejected. What is a possible reason for this?
- A. Her credit score is too low.
 - B. She does not have any debt.
 - C. Her income level is too high.
 - D. The loan officer disliked her.
75. Blue Diamond Co. attracts the best salespeople because it offers a generous commission structure, a well-rounded benefits package, flexible work hours, and opportunities for professional development. Blue Diamond Co. has
- A. problems with its finances.
 - B. a total rewards system.
 - C. an unsustainable business model.
 - D. unethical hiring practices.
76. The purpose of filing an insurance claim is to obtain
- A. discounts on the deductible.
 - B. compensation for the loss.
 - C. dividends on the investment.
 - D. profit from the premium.
77. Brianna bought a used car and drove it before she had time to get it insured. Someone dented the driver's side door in a parking lot. Brianna immediately called her insurance company to get the car insured, but she waited a week before reporting the damage so the insurance company would pay for the repairs. This is an example of
- A. a total loss.
 - B. insurance coverage.
 - C. a deductible.
 - D. insurance fraud.

78. Which of the following is an important benefit of setting goals:
- A. Makes other people happy
 - B. Increases your chances of success in life
 - C. Simplifies your life
 - D. Eliminates restrictive behavior guidelines
79. A person who uses a decision-making model is able to
- A. ensure decisions will have the best result.
 - B. make decisions in an organized manner.
 - C. use intuition to make accurate predictions.
 - D. convince others that his/her own views are correct.
80. At the library, Janelle can get up-to-date career information about job opportunities, employment trends, training, and educational needs by reading various
- A. international data almanacs.
 - B. fictitious magazine articles.
 - C. technical books.
 - D. occupational publications.
81. To help Joseph determine which career to pursue, he should honestly examine his personality traits, abilities, and
- A. expressions.
 - B. techniques.
 - C. interests.
 - D. opportunities.
82. Diana prepares bills and invoices for her company. Her career is in the area of
- A. professional selling.
 - B. marketing communications.
 - C. securities and investments.
 - D. corporate finance.
83. Job seekers can often find out about local employment opportunities by accessing a business's
- A. annual report.
 - B. employee newsletter.
 - C. online catalog.
 - D. website.
84. What question is often asked in the work experience section of an employment application?
- A. Why did you leave your previous job?
 - B. Are you eligible to work in this country?
 - C. What course of study have you completed?
 - D. When are you available to begin work?
85. What is the preferred color of paper to use for letters of application?
- A. Orange
 - B. Yellow
 - C. Blue
 - D. White
86. Why would Susan prepare a résumé that emphasizes her education and related activities?
- A. She has a lot of personal data.
 - B. She has set job requirements.
 - C. She has limited work experience.
 - D. She has limited career expectations.

87. Which of the following is a banking service that allows customers to pay their bills without any paper money exchanging hands:
- A. Lines of credit
 - B. Debt consolidation
 - C. Electronic funds transfer
 - D. Certificates of deposit
88. Why should consumers avoid paying off credit card debt with a home equity line of credit linked to their mortgage?
- A. It leads to excessive spending.
 - B. Mortgage interest rates are typically higher.
 - C. Mortgage loans are secured with collateral.
 - D. It creates unsecured debt.
89. Which of the following is a reason that you might file an automobile insurance claim:
- A. You got a flat tire.
 - B. You accidentally ran a red light and hit another vehicle.
 - C. You left your car doors unlocked, and someone stole your phone.
 - D. Your car battery died.
90. Arden's roof was damaged during a thunderstorm. What type of insurance claim should she file?
- A. Life
 - B. Weather
 - C. Homeowners
 - D. Liability
91. Life insurance pays money to the beneficiary upon the death of the
- A. insured's spouse.
 - B. beneficiary.
 - C. insured person.
 - D. insured's children.
92. The purpose of short-term disability insurance is to provide payment if the insured is unable to work due to
- A. a non-work-related injury or illness.
 - B. a work-related injury or illness.
 - C. cold or flu symptoms.
 - D. educational training.
93. Which of the following is an example of an individual's occupation:
- A. Exploring new employment options
 - B. Getting a part-time job
 - C. Changing jobs within the company
 - D. Being a career salesperson
94. Which of the following is an example of career advancement within a company:
- A. Julia accepted a marketing manager position with GZA International because she became bored with her advertising coordinator position with Drexall Publishing.
 - B. After RQW Technologies offered Dylan a similar management position and 15% salary increase, he resigned as systems manager with TechFi.com.
 - C. When James reached his 25-year anniversary as production manager of Whitman Manufacturing, he decided to retire.
 - D. Audrey was hired as a sales coordinator, was promoted to salesperson, and is now sales manager of CTK Corporation.

95. Which of the following statements about discount brokers is true:
- A. They are riskier than full-service brokers.
 - B. They should be avoided by beginning investors.
 - C. They allow the same kinds of trades as full-service brokers.
 - D. They sell unpopular stocks at reduced prices.
96. When investors trade securities that have already been issued by a corporation, they are trading on
- A. the secondary market.
 - B. a stock exchange.
 - C. the over-the-counter market.
 - D. the direct trading line.
97. Which of the following government requirements often makes the development of new products a long and expensive process:
- A. Testing
 - B. Licensing
 - C. Training
 - D. Labeling
98. A primary characteristic of a whole-life insurance policy is that it
- A. requires policyholders to pay low premiums annually.
 - B. covers the insured for a time period of 25 years.
 - C. covers only the insured's burial expenses.
 - D. accumulates cash value over time.
99. Which of the following are long-term debts that businesses sell to investors to obtain capital:
- A. Bonds
 - B. Stocks
 - C. Shares
 - D. Loans
100. The document that explains a company's goals and how it intends to achieve those goals is an example of a(n)
- A. business plan.
 - B. corporate report.
 - C. annual report.
 - D. management plan.

1. C

They clearly outline both sides of an agreement. Legally binding contracts are meant to clearly outline an agreement. This way, disputes and litigation can hopefully be avoided. Legally binding contracts don't actually have to be written; they can still be valid if they're verbal, but they're much easier to prove if they are in writing. Breaking a contract doesn't always result in a lawsuit or jail time. In fact, most people avoid lawsuits at all costs, since they tend to be expensive and lengthy. Contracts are only enforceable for legal acts.

SOURCE: BL:002

SOURCE: FD

SOURCE: Laurence, B. (2019). *Contracts 101: Make a legally valid contract*. Retrieved September 4, 2019, from <http://www.nolo.com/legal-encyclopedia/contracts-101-make-legally-valid-30247.html>

2. A

MON Company. The debtor is the individual or business that owes money to another individual or business, which is the creditor. In the situation presented, MON Company is the creditor because the company has the finances to extend credit to Mrs. Jones (the debtor), allowing her to pay later. Pedro Sanchez is an employee of the creditor. The location of the company is not a factor in determining the debtor-creditor relationship.

SOURCE: BL:071

SOURCE: CD

SOURCE: Wolters Kluwer. (2019). *Understanding the debtor-creditor relationship*. Retrieved September 4, 2019, from <https://www.bizfilings.com/toolkit/research-topics/running-your-business/asset-strategies/understanding-the-debtorcreditor-relationship>

3. A

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

SOURCE: BL:101

SOURCE: RM

SOURCE: National Association of Insurance Commissioners. (n.d.). *State insurance regulation: History, purpose, and structure*. Retrieved September 4, 2019, from https://www.naic.org/documents/consumer_state_reg_brief.pdf

4. A

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

SOURCE: BL:105

SOURCE: IN

SOURCE: U.S. Securities and Exchange Commission. (2013, June 10). *What we do*. Retrieved September 4, 2019, from <https://www.sec.gov/Article/whatwedo.html#laws>

5. C

Acting in the best interests of their clients. In the financial industry, a fiduciary is a financial professional who has been given legal authority to make financial transactions on behalf of an individual or business—the owner of the financial product (e.g., stock). Because the fiduciary has been given legal authority to act on behalf of a client, s/he must act in the best interest of the client. Fiduciary responsibility involves making wise financial decisions and obtaining financial products that will help the client achieve his/her financial goals. A fiduciary does not focus on selling products that generate the highest commissions or make risky investments without the client's knowledge. A responsible, ethical fiduciary is transparent and trustworthy and continuously communicates with her/his clients rather than communicating with them only once a year.

SOURCE: BL:133

SOURCE: IN

SOURCE: Barone, A. (2019, May 4). *What are some examples of fiduciary duty?* Retrieved September 4, 2019, from <https://www.investopedia.com/ask/answers/042915/what-are-some-examples-fiduciary-duty.asp>

6. C

Telling her customers about banking products. As a bank teller, Jana processes the customers' bank transactions and often tells them about the bank's products, such as credit cards, club accounts, and savings bonds. Certified finance professionals (financial planners) manage business retirement funds, and authorized stockbrokers trade commodities on behalf of their clients. Processing payroll for other businesses is beyond the scope of a teller's responsibilities.

SOURCE: CR:012

SOURCE: FD

SOURCE: Doyle, A. (2019, June 4). *What does a bank teller do?* Retrieved September 5, 2019, from <https://www.thebalancecareers.com/bank-teller-job-description-salary-and-skills-2061707>

7. A

Jonathan, because his customers feel that they can trust him. Jonathan educates his customers about his products, explaining the positives as well as the negatives. By doing so, Jonathan presents himself as a truthful, trustworthy individual. Customers are much more likely to return to Jonathan and refer others to him because they see him as a person they can trust. There is no indication that Jonathan provides his customers with too much information. Hank is not likely to retain and grow his client base simply because he is optimistic. And, while customers appreciate an upbeat salesperson, they are likely to get angry with Hank if something goes wrong that Hank could have warned them about. Angry, displeased customers are unlikely to return to Hank or refer others to him in the future.

SOURCE: CR:012

SOURCE: FD

SOURCE: Cussen, M.P. (2019, August 19). *8 qualities that make a good insurance agent.* Retrieved September 5, 2019, from <https://www.investopedia.com/financial-edge/1212/8-qualities-that-make-a-good-insurance-agent.aspx>

8. C

Human. Human resources are people who work to produce goods and services. Natural resources are found in nature and are used to produce goods and services. Capital goods are manufactured or constructed items that are used in the production of goods and services. Resources are considered limited because there are not enough available to satisfy all the people who desire them.

SOURCE: EC:003

SOURCE: FD

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

9. C

Economic. Economic wants have monetary value. These can be desires for tangible goods or for intangible items. A noneconomic want has no monetary value. These goods and services are considered free goods. Wants are considered unlimited because people desire more goods and services than they can obtain.

SOURCE: EC:001

SOURCE: FD

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

10. A

Capital and consumer goods. Societies must determine how to direct, or allocate, their scarce resources between the production of capital and consumer goods in order to satisfy consumption. If more resources are used to produce capital goods, fewer resources will be available to produce consumer goods. Consumer demand usually dictates the types of consumer goods that are produced: either machine or handmade and simple or complex. While a society produces its own domestic products, foreign products are manufactured by other countries.

SOURCE: EC:001

SOURCE: FD

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

11. A

Economizing. Economizing involves obtaining the greatest possible satisfaction from one's limited resources. Scarcity is the conflict between limited resources and unlimited wants. Producers make goods and services. Distribution is the process or activity by which income is divided among resource owners. Michelle is not creating scarcity or increasing distribution. There is no indication that she produces anything.

SOURCE: EC:001

SOURCE: FD

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

12. C

Build strong relationships. Negotiation can be a means of strengthening long-term relationships with customers, suppliers, coworkers, and other businesses. Negotiation demands a spirit of cooperation. Entering negotiation with the idea of getting a certain action, keeping negative people quiet, or getting something done will not produce a situation that allows everyone to feel they have gained through the process.

SOURCE: EI:062

SOURCE: FD

SOURCE: LAP-EI-062—Make It a Win-Win (Negotiation in Business)

13. B

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 avoidant negotiating strategy.

SOURCE: EI:062

SOURCE: FD

SOURCE: LAP-EI-062—Make It a Win-Win (Negotiation in Business)

14. B

Repeat or summarize the other person's statements. You can show that you're actively listening by repeating or summarizing the other person's statements or by asking for clarification. Active listening is important because it keeps you from missing an important point. You don't want to think about what you'll say next while the other person is speaking—this makes it impossible to listen. Even if you have strong emotions, it's important to keep your emotions out of the negotiation, as reacting emotionally could derail the discussion and negatively affect your credibility. It's important to keep a positive, open, and objective attitude when negotiating, but this is something you should do whether or not you're actively listening.

SOURCE: EI:062

SOURCE: FD

SOURCE: LAP-EI-062—Make It a Win-Win (Negotiation in Business)

15. C

Capital expenditures. All new ventures must plan for capital expenditures on the equipment and supplies needed to operate the business. Only established businesses need to plan for expansion and continuous improvement costs. Legal battles can occur, but they are not a major cost that every startup has to consider.

SOURCE: EN:009

SOURCE: EI

SOURCE: Beesley, C. (n.d.) *How to estimate the cost of starting a business from scratch*. Retrieved September 5, 2019, from <https://www.mbd.gov/news/blog/2011/11/how-estimate-cost-starting-business-scratch>

16. B

Pay interest on purchases. Credit is the arrangement by which individuals or businesses can purchase now and pay later. Many types of businesses (e.g., banks, large retailers) offer credit cards to consumers and businesses to purchase goods and services. Usually, the credit card issuer sends the credit card holder a monthly statement. The information on the statement includes a list of the purchases made during the billing cycle and the amount owed for the purchases, which includes the interest charges. If the credit card holder pays the minimum amount due, the amount of interest owed accumulates on the balance due until the debt is paid off. Because interest rates can be high, this can be a disadvantage to the credit card holder. It is important to establish a good credit rating in order to borrow money in the future from other lenders. Therefore, establishing a credit rating is not necessarily a disadvantage. Credit card holders do not earn quarterly dividends on their credit cards. Temporary deferment of cash payment is an advantage to credit card holders.

SOURCE: FI:058

SOURCE: CD

SOURCE: NerdWallet. (2019, August 16). *What is a credit card?* Retrieved September 5, 2019, from <https://www.nerdwallet.com/blog/nerdscholar/credit-card/>

17. C

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

SOURCE: FI:059

SOURCE: SS

SOURCE: Phelps, C.D. (2017, September 26). *Types of foreign currency*. Retrieved September 5, 2019, from <https://pocketsense.com/types-of-foreign-currency-13636193.html>

18. D

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

SOURCE: FI:061

SOURCE: EI

SOURCE: Marquit, M. (2012, March 1). *Earned income vs. unearned income*. Retrieved September 5, 2019, from <https://mirandamarquit.com/earned-income-vs-uneared-income/>

19. C

Less spending power. The time value of money is the concept that dollars received in the future will be worth less than a dollar received today because of the impact of inflation. Exchange rates rise and fall and refer to the transfer of one currency into another.

SOURCE: FI:062

SOURCE: SS

SOURCE: Ryan, J.S. (2012). *Personal financial literacy* (2nd ed.) [p. 83]. Mason, OH: South-Western Cengage Learning.

20. A

A credit union. Credit unions are cooperative financial institutions that are owned by their members. These institutions usually have some requirement for membership, such as working for a certain company, belonging to a certain labor union, or living in a certain geographic area. Similar to banks, they provide savings accounts and credit services. They usually offer their members small loans, installment credit, and low interest rates. Commercial banks are full-service banks that offer a variety of credit services, including secured and unsecured loans, installment credit, and bank credit cards. Savings and loan associations began as home loan institutions. Today, they make loans similar to those made by commercial banks, but many of their loans are still for real estate purchases. Sales finance companies offer credit through retailers such as car dealerships.

SOURCE: FI:002

SOURCE: CD

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

21. A

The convenience of buying now and paying later. Credit cards offer many advantages, including the convenience of buying needed items now and paying later. Other advantages of credit include the security of not needing to carry cash, fraud protection, and in some cases rewards for making purchases. Having a credit card does not mean that you have the ability to spend unlimited money. Most credit cards have credit limits that determine the maximum amount of money you are able to spend each credit period. Most credit cards also have high interest charges on unpaid credit balances. When you fail to pay off your credit card balance, your credit score is lowered—making it more difficult for you to receive loans.

SOURCE: FI:002

SOURCE: CD

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

22. B

College fund. In many cases, paying for college is a future financial need for which many individuals and married couples plan. In order to make sure sufficient money will be available to pay for college, individuals often establish a college fund. This may be set up with a bank or an investment company. People often set aside a certain amount to invest on a monthly basis so the fund will have a certain value by the time it is needed to pay college expenses. A living will involves a person's wishes concerning medical issues. A work history is a list of jobs a person has had during his/her life. Emotional intelligence is the ability to recognize and manage emotions in ourselves and in others.

SOURCE: FI:064

SOURCE: FD

SOURCE: Savingforcollege.com. (2018, August 29). *What is a 529 plan?* Retrieved September 5, 2019, from http://www.savingforcollege.com/intro_to_529s/what-is-a-529-plan.php

23. B

Save more than he spends. By saving for retirement, he is ensuring that his life post-retirement is about the same standard as pre-retirement. Counting on an inheritance is risky. Investing in his factory's savings plan might be a smart step for Don, especially if the factory will match his contributions. Retiring later than planned will not make his retirement any more secure if Don does not practice wise saving habits now.

SOURCE: FI:064

SOURCE: FD

SOURCE: Brandon, E. (2013, June 3). *10 ways to pay for retirement*. Retrieved September 5, 2019, from <https://money.usnews.com/money/retirement/articles/2013/06/03/10-ways-to-pay-for-retirement-2>

24. B

Written down. People who have written goals accomplish 50 to 100 times more than people who do not. You are *not* more likely to achieve goals that are based on needs only or that are long or short term.

SOURCE: FI:065

SOURCE: SS

SOURCE: Wohlner, R. (2011, June 8). *How to set and achieve financial goals*. Retrieved September 5, 2019, from <http://money.usnews.com/money/blogs/the-smarter-mutual-fund-investor/2011/06/08/how-to-set-and-achieve-financial-goals>

25. A

No, his goal is not specific or measurable. A financial goal is a short- or long-term objective that is measured in terms of money. Effective financial goals are SMART goals—specific, measurable, attainable, results-oriented, and time-bounded. The goal is time-bounded because Brandon wants to save money to buy a car two years from now. It is results-oriented because Brandon will have something to show for his effort in two years—a car. However, the goal is not specific or measurable because Brandon has not indicated how much he wants to save for the car. Also, Brandon has not indicated how he plans to save for the car, such as placing 15% of his weekly paycheck in a special savings account. There is not enough information to determine if the goal is attainable because it is not specific.

SOURCE: FI:065

SOURCE: FD

SOURCE: Haughey, D. (2019). *Smart goals*. Retrieved September 5, 2019, from <https://www.projectsmart.co.uk/smart-goals.php>

26. B

Financial goals cannot be realistically set until a personal budget has been established. Without creating a personal budget of income and expenses first, it would be impossible to set realistic financial goals. Wealthy people may have a great deal of income, but they still have expenses and future financial goals they would like to accomplish. If goals are set too high, it may be difficult to achieve them; it is more advisable to set realistic short-term and long-term goals. Reducing or paying down debt should be part of a budget, but it is not necessary to eliminate it entirely before deciding on other financial goals.

SOURCE: FI:065

SOURCE: SS

SOURCE: Benve, R. (2019, April 2). *How to set SMART personal financial goals*. Retrieved September 5, 2019, from <https://toughnickel.com/personal-finance/How-to-Set-Personal-Financial-Goals-Budgeting>

27. A

Reduce any unnecessary expenses. A good way to prepare for unexpected setbacks is to save as much as possible by reducing unnecessary expenses. Instead of spending money at a coffee shop every morning, for example, you could make coffee at home and put the money into a savings account or retirement fund. Avoiding risks in your career will not necessarily offset the effects of unexpected setbacks. Refinancing your mortgage might be necessary if you run into setbacks, but it is not a way to prepare for them. Finally, putting off bills and other short-term payments is not a good strategy because it will make your financial situation more difficult.

SOURCE: FI:065

SOURCE: FD

SOURCE: National Endowment for Financial Education. (2019). *Preparing for financial crisis in retirement*. Retrieved September 5, 2019, from <https://www.myretirementpaycheck.org/Additional-Resources/Navigating-Retirement-Crises/Preparing-for-Financial-Crisis-in-Retirement>

28. B

Set her financial goals. Valerie should first figure out what amount she would like to have at her disposal in the short term, say next year, and then in the long term, or about five years from now. Then, she should look at her income, expenses, and debt payments to figure out where she can afford to decrease her spending in order to reach her financial goals.

SOURCE: FI:066

SOURCE: FD

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 6-11]. Boston, MA: Cengage Learning, Inc.

29. C

\$8,100. To calculate how much car money Ben will have in 75 weeks, first figure his annual income by multiplying his monthly income by the number of months in the year ($\$2,600 \times 12 = \$31,200$). Next, divide his annual income by the number of weeks in the year to find his weekly income ($\$31,200 / 52 = \600). Then, determine how much he saves per week by multiplying his weekly income by 18% ($\$600 \times 18\%$ or $0.18 = \$108$). Finally, multiply the amount that he saves per week by the number of weeks that he plans to save his money ($\$108 \times 75 = \$8,100$).

SOURCE: FI:066

SOURCE: FD

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [p. 102]. Boston, MA: Cengage Learning, Inc.

30. A

Rent, entertainment, and insurance. Individuals develop personal budgets to help them manage their money. A budget is an estimation of income and expenses. Expenses are money that a person spends and may include rent, entertainment, insurance, food, and utilities. Salaries (wages) and dividends are sources of income.

SOURCE: FI:066

SOURCE: SS

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 35-37]. Boston, MA: Cengage Learning, Inc.

31. A

Income and spending. To determine your net cash flow and develop an accurate personal budget, you must account for all income and spending. Set monthly expenses, income, and charitable contributions impact a personal budget and net cash flow, but any one of these alone is not sufficient to create the budget and determine cash flow.

SOURCE: FI:066

SOURCE: SS

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [p. 39]. Boston, MA: Cengage Learning, Inc.

32. A

Investing. Using money to make money is called investing. Saving is setting aside part of your current income for future use. Rationing is a function of relative prices that determines who gets the goods and services produced—it is determining how scarce resources will be distributed. Reimbursing involves paying back or refunding money that someone has spent.

SOURCE: FI:270

SOURCE: SS

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 283-284]. Boston, MA: Cengage Learning, Inc.

33. C

Investing 18% of your annual income so you can retire at the age of 60. Long-term goals take longer than a year to accomplish. Investing a percentage of income over time so you have enough money for retirement is a step toward achieving a long-term financial goal. Saving money for a vacation that will occur in six months and obtaining funds to make a down payment on a house now are short-term goals. Allocating funds to cover bills is an aspect of personal budgeting.

SOURCE: FI:270

SOURCE: SS

SOURCE: Schwan, L. (2018, July 20). *Short-term or long-term, budget and save for your goals*. Retrieved September 5, 2019, from <https://www.nerdwallet.com/blog/finance/short-vs-long-term-goals/>

34. C

Mortgage. Personal liabilities are any debts that an individual owes. A mortgage is a loan used to purchase real estate. A person who takes out a mortgage owes a certain amount to the lender that must be paid back over time. Therefore, a mortgage is a personal liability. A vacation home, mutual funds, and treasury bills are all examples of personal assets, which are anything of value that a person owns that can be converted into cash.

SOURCE: FI:562

SOURCE: FD

SOURCE: Folger, J. (2019, June 29). *How to calculate your tangible net worth*. Retrieved September 5, 2019, from <https://www.investopedia.com/articles/pf/13/calculating-your-tangible-net-worth.asp>

35. B

They are subtracted from gross income. Your gross income represents all the income provided by your employer. When taxes are subtracted from gross income, your net income is reduced. Net income refers to the amount of earnings left after all taxes and deductions have been subtracted. Taxes are calculated on taxable income.

SOURCE: FI:067

SOURCE: EI

SOURCE: Kagan, J. (2019, August 28). *Income tax*. Retrieved September 5, 2019, from <https://www.investopedia.com/terms/i/incometax.asp>

36. B

Identify your goals. A goal is a desired outcome. Before you invest your money, you must determine what you want it to do for you. For example, if you want to save for retirement, you would likely choose a conservative investment option that will generate income over the long term. If you want to make a profit on your investment relatively quickly so you can use the money for something else, you might choose another investment option. Therefore, you must know your goals before you choose your investment option. Investigating options online, selecting a stock screener, and evaluating the market cap are activities (research) that you do after you identify your goals and before you make your actual selection(s).

SOURCE: FI:284

SOURCE: IN

SOURCE: Financial Industry Regulatory Authority. (2019). *Set your financial goals*. Retrieved September 6, 2019, from <https://www.finra.org/investors/personal-finance/set-your-financial-goals>

37. A

Pay stub. Your pay stub is a good source of information regarding your gross pay, deductions, and net pay. If your pay is directly deposited in your bank account, your bank can tell you what your net pay is, but it would have no idea about your gross pay or deductions. Your timecard indicates the hours that you have worked during a particular pay period. A W-4 indicates how many exemptions you want to claim.

SOURCE: FI:068

SOURCE: EI

SOURCE: Kappel, M. (2017, April 26). *What is a pay stub, and what is on a pay stub?* Retrieved September 5, 2019, from <https://www.patriotsoftware.com/payroll/training/blog/pay-stub/>

38. C

Name of person or business receiving the funds. The name of the person or business to be paid is listed in the "pay to the order of" area of a check, rather than the bank being used to cash it. The check amount is spelled out in words on the line below the "pay to the order of" area. The name of the bank institution holding the funds is already printed on the check.

SOURCE: FI:560

SOURCE: SS

SOURCE: Madura, J., Casey, M., & Roberts, S. (2014). *Personal financial literacy* (2nd ed.) [pp. 227-229]. Upper Saddle River, NJ: Pearson Prentice Hall.

39. A

Insurance policy. Individuals maintain a variety of financial records, and one of these is an insurance policy. In many cases, individuals have several types of insurance policies, such as automobile, homeowner's, health, life, etc. These policies pay claims that have cash value. For example, if an individual's home is damaged due to a tornado, a homeowner's policy will pay for repairs, which saves money for the homeowner. It is important for individuals to keep a record of these policies so they will know what is covered and for how much. Cashier's checks, product warranties, and travel reports are not financial records that individuals should maintain.

SOURCE: FI:069

SOURCE: SS

SOURCE: Huguelet, M.C., & Bailey, H. (2019, July 31). *What is an insurance policy?* Retrieved September 5, 2019, from <http://www.wisegeek.com/what-is-an-insurance-policy.htm>

40. D

Identify the items you have compared. When reconciling a bank statement, you use checkmarks to identify the items you have compared. Compared items include amounts on the bank statement, check stubs, canceled checks, deposit slips, and the check register. Checkmarks are not used to correct missed deposits, void ruined checks, or total the interest received.

SOURCE: FI:070

SOURCE: SS

SOURCE: Accounting Tools. (2018, January 14). *How to reconcile a bank statement.* Retrieved September 5, 2019, from <https://www.accountingtools.com/articles/how-to-reconcile-a-bank-statement.html>

41. A

Transaction fees. Reconciling bank statements involves comparing the entries in a checkbook with the entries listed on the bank statement. It is important to make these comparisons to determine inconsistencies and mistakes. If a check is not recorded correctly, and if the mistake is not caught, the individual runs the risk of having insufficient funds in his/her checking account, which results in bounced checks. Some financial institutions charge transaction fees for checking accounts, so it is important to make sure that those fees are subtracted from the checking account balance. Accumulated interest and payroll deposits are added to the checking account balance rather than subtracted from it. Check numbers are not subtracted from the checkbook when reconciling bank statements and checkbook balances.

SOURCE: FI:070

SOURCE: SS

SOURCE: Accounting Tools. (2018, January 14). *How to reconcile a bank statement*. Retrieved September 5, 2019, from <https://www.accountingtools.com/articles/how-to-reconcile-a-bank-statement.html>

42. B

Total costs. Many banks and credit card companies offer many different credit cards. To use credit wisely, it is important to compare the various offers of credit to determine the total costs. All credit cards charge an annual percentage rate on the unpaid balance, and some offer a low rate for a short period of time to attract new customers. Some credit cards also charge an annual fee. Then, there are fees for late payment and cash advances. It is necessary to compare the costs to determine the best offer rather than accept a credit card that has a high interest rate, a high annual fee, and high fees for penalties. The wise use of credit does not involve comparing the various offers of credit to determine the affiliated banks or company sponsors. Credit card fees and costs are not taxes.

SOURCE: FI:071

SOURCE: CD

SOURCE: Littrell, J.J., Lorenz, J.H., & Smith, H.T. (2012). *School to career* (9th ed.) [pp. 538-541]. Tinley Park, IL: Goodheart-Willcox.

43. B

To avoid being denied credit. Individuals should periodically validate their credit histories to make sure that the information is correct. In some cases, inaccurate or false information may appear in a credit history, which will result in an individual being denied credit. To make sure this doesn't happen, individuals should review the information and contact the credit bureau to change or remove inaccurate information. Individuals do not validate their credit histories to understand credit laws, find out about different types of credit, or protect themselves from slander.

SOURCE: FI:072

SOURCE: CD

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 158-161]. Boston, MA: Cengage Learning, Inc.

44. D

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

SOURCE: FI:072

SOURCE: CD

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

45. C

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

SOURCE: FI:073

SOURCE: FD

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

46. A

Shred or tear up important financial documents. To prevent identity thieves from getting your personal information, you should always shred or tear up important financial documents before you dispose of them. These documents might include credit card statements, credit offers, expired credit cards, bank statements, etc. You should review your credit report at least once a year (not every five years) to verify your accounts and account balances. While paying the entire balance on your credit cards monthly and insisting on a fixed-rate loan when borrowing money are wise financial decisions, they do not necessarily prevent identity thieves from getting your personal information.

SOURCE: FI:073

SOURCE: FD

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

47. B

Rising auto insurance rates. If someone steals your identity and it affects your credit score, you will likely see an increase in your car insurance costs. Automobile insurance is usually based on your credit score. While it is possible that you could be terminated from your job, it is not likely. You will not be unable to access your credit reports. Finally, you are not likely to be imprisoned or given a fine because your identity has been stolen.

SOURCE: FI:073

SOURCE: FD

SOURCE: Sullivan, B. (2014, July 13). *9 surprising ways identity theft can hurt you*. Retrieved September 5, 2019, from <http://blog.credit.com/2014/06/surprising-ways-identity-theft-can-hurt-you-85080>

48. A

You can qualify for a lower tax rate. Finding tax deductions that reduce your taxable income typically allows you to be taxed at a lower rate. Tax deductions do not necessarily eliminate the need to pay taxes. Tax deductions do not increase your gross income or decrease net income.

SOURCE: FI:074

SOURCE: EI

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 63-64]. Boston, MA: Cengage Learning, Inc.

49. D

The lender; taking a risk. Interest is the cost of borrowing money. Lenders receive interest as compensation for assuming the risk that the borrower will repay the amount due. With every loan, there is a chance that the borrower won't pay it back. Interest is not compensation for the borrower. Interest is also not related to avoiding bad investments.

SOURCE: FI:782

SOURCE: CD

SOURCE: Federal Reserve Bank of St. Louis. (2019). *Interest defined*. Retrieved September 5, 2019, from https://www.econlowdown.org/interest?module_uid=125§ion_uid=325&page_num=3289&p=yes

50. D

\$20.44. Credit card companies using the adjusted balance method charge interest only on the principal balance that remains each month. To calculate how much total interest Deacon will pay during the initial three billing periods, first calculate the monthly interest rate by dividing the APR by the number of months in a year ($0.20 / 12 = .0167$). Then, multiply the monthly interest rate by the principal amount to determine the amount of interest charged for the first month ($0.0167 \times \$600 = \10.00). For the following month, you first need to determine the new principal amount. Subtract the interest amount charged during the initial month from last month's repayment to determine the payment amount applied to the principal ($\$200 - \$10 = \$190$). Next, subtract the payment amount applied to the principal amount at the end of the first month from the original balance to determine the new principal amount to be charged interest for the second month ($\$600 - \$190 = \$410$). Repeat these steps for any subsequent months (Month 2: $0.0167 \times \$410 = \6.83 ; $\$200 - \$6.83 = \$193.17$; $\$410 - \$193.17 = \$216.83$; Month 3: $0.0167 \times \$216.83 = \3.61). Add together the interest paid each month to determine the total interest Deacon will pay during the initial three billing periods ($\$10 + \$6.83 + \$3.61 = \20.44).

SOURCE: FI:782

SOURCE: CD

SOURCE: Irby, L. (2019, August 14). *Adjusted balance method to calculate credit card finance charges*. Retrieved September 5, 2019, from <https://www.thebalance.com/adjusted-balance-method-of-calculating-finance-charges-960235>

51. C

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

SOURCE: FI:783

SOURCE: SS

SOURCE: FINRA. (2019). *Comparison shop for financial products*. Retrieved September 5, 2019, from <https://www.finra.org/investors/key-investing-concepts/shop-financial-products>

52. A

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

SOURCE: FI:075

SOURCE: FD

SOURCE: Campisi, N. (2017, July 12). *Pros and cons of online trading*. Retrieved September 5, 2019, from <https://www.gobankingrates.com/investing/stocks/the-advantages-disadvantages-online-trading/>

53. B

Insurance agent. Insurance products are designed to protect individuals, families, and businesses against financial loss due to disasters, deaths, accidents, or other unexpected events. Insurance agents are financial professionals that help people choose the right insurance products for their unique needs. An individual or family wishing to purchase protection against financial loss would not likely consult a stock broker, a financial advisor, or a real estate agent. Stock brokers are financial professionals that help people buy and sell investments. Financial advisors help people develop comprehensive financial health plans. Real estate agents assist in the buying and selling of property.

SOURCE: FI:075

SOURCE: FD

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 257-260]. Boston, MA: Cengage Learning, Inc.

54. B

Churning. Before selecting a broker, it's vital that you thoroughly understand his/her payment structure. Many brokers (especially full-service brokers) are paid on commission, which means they make money every time they conduct a transaction for you. A good broker is reliable and has your best interests at heart when recommending that you buy or sell certain securities. Unfortunately, a dishonest broker may encourage you to make excessive trades just to collect the commission fees from each one. This practice is called churning. Skimming is a price strategy that involves setting prices higher than those of the competition. Bundling is a marketing strategy that involves offering several products for sale as one combined product. A flighting strategy is a media timing strategy that concentrates advertising during peak sales periods followed by periods of no advertising.

SOURCE: FI:076

SOURCE: FD

SOURCE: Hayes, A. (2019, August 13). *Churning*. Retrieved September 5, 2019, from <https://www.investopedia.com/terms/c/churning.asp>

55. B

Determine if you and the advisor share the same investment philosophy. Different financial advisors can help in different ways depending on your financial goals. To ensure you are choosing the right financial advisor, you should determine if the financial advisor's investment philosophy is similar to your own. You should not select the first financial advisor you can find; rather, you should compare many different financial advisors to see which one is best suited for your needs. You should not necessarily find a financial advisor who steers you toward complex investments. In fact, you should avoid buying investments that you don't understand. Finally, a financial advisor with several degrees and certifications is not necessarily a good fit for your financial needs. These types of professional designations can also be easily faked.

SOURCE: FI:076

SOURCE: FD

SOURCE: Coombes, A. (2019, August 13). *10 questions to ask a financial advisor*. Retrieved September 5, 2019, from <https://www.nerdwallet.com/blog/investing/10-questions-ask-financial-advisor/>

56. B

Financial situation. When an investor examines the balance sheet of a company, he sees a "picture" of the company's financial situation. Investors discover the company's accounting method from the notes, not the balance sheet. The income statement is a separate financial statement, on which the pretax profit can be located.

SOURCE: FI:276

SOURCE: IN

SOURCE: Investopedia. (2019, June 25). *Reading the balance sheet*. Retrieved September 6, 2019, from <https://www.investopedia.com/articles/04/031004.asp>

57. D

Short-term time horizon. A short-term time horizon means you are investing for a goal you want to reach in less than five years; if you are investing for a three-year goal, you are on a short-term time horizon. An intermediate-term time horizon is 5 to 15 years, and a long-term time horizon is longer than 15 years.

Risk-tolerant time horizon is not a term that is used in investing.

SOURCE: FI:279

SOURCE: IN

SOURCE: Smith, L. (2018, April 6). *Using time horizons to reach your goals investing*. Retrieved September 6, 2019, from <https://www.investopedia.com/articles/investing/110813/using-time-horizons-investing.asp>

58. D

Qualitative measures. A company's business model, product mix, competition, and brand are examples of qualitative measures, which are subjective. Quantitative measures are objective and based on numbers. These characteristics describe a company, not an industry. They are not objective, but subjective.

SOURCE: FI:280

SOURCE: IN

SOURCE: Smith, T. (2019, June 25). *Qualitative analysis*. Retrieved September 6, 2019, from <https://www.investopedia.com/terms/q/qualitativeanalysis.asp>

59. D

Dollar-cost averaging. Dollar-cost averaging involves putting a predetermined amount of money into an investment on a regular basis, such as quarterly or monthly. The effect is that you buy more shares when prices are low and fewer shares when prices are high. This keeps investors from worrying about purchase timing. Diversification involves determining a mix of total investment—minimizing the effect of a single losing investment. An investment portfolio is diversified by type of stock, sector/industry, and cap size. Growth stocks appreciate steadily over time, carry moderate to high risk, and bring a moderate to high return. Value stocks are trading at a lower price than their fundamentals indicate they should be.

SOURCE: FI:283

SOURCE: IN

SOURCE: Kramer, M. (2019, February 13). *Dollar-cost averaging (DCA) definition*. Retrieved September 6, 2019, from <http://www.investopedia.com/terms/d/dollarcostaveraging.asp>

60. D

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

SOURCE: FI:350

SOURCE: IN

SOURCE: McWhinney, J. (2019, January 22). *The many ways to achieve investment portfolio diversification*. Retrieved September 6, 2019, from <https://www.investopedia.com/articles/basics/05/diversification.asp>

61. A

A listing of all the things that went wrong. A company's annual report is usually a glossy, four-color print piece in which the key management tries to shine the best possible light on what the company did that year and what the important achievements were. Management also may provide some ideas on where the company will go next. The annual report is not a place where management wants to highlight all the things that went wrong.

SOURCE: FI:274

SOURCE: IN

SOURCE: Kenton, W. (2019, May 24). *Annual report*. Retrieved September 6, 2019, from <https://www.investopedia.com/terms/a/annualreport.asp>

62. A

Close. "Close," which is sometimes listed as "Last," represents the last price paid when trading ended for the day. "Net change" compares the closing price with the previous day's closing price. A negative net change indicates that the price is down when compared to the previous day's last price. A positive net change means that the price is up. "Volume" (sometimes listed as "Sales") tells you how many shares were traded that day. "Yield" signifies the rate of return on the security, determined by dividing the dividend by the actual closing price.

SOURCE: FI:275

SOURCE: IN

SOURCE: London Stock Exchange. (2019). *Prices help*. Retrieved September 6, 2019, from <http://www.londonstockexchange.com/prices-and-markets/prices-help/prices-help.htm>

63. D

Collectibles. Objects that gain or lose value over time are collectibles—such as antiques, gems, stamps, dolls, and sports memorabilia. "Collecting" usually involves owning these items, waiting until they become really valuable, and then selling them for a profit. With stocks and stock mutual funds, investors own pieces of corporations or agencies. With real estate investments, investors own property.

SOURCE: FI:077

SOURCE: IN

SOURCE: Beattie, A. (2018, May 25). *Contemplating collectible investments*. Retrieved September 6, 2019, from <https://www.investopedia.com/articles/basics/06/contemplatingcollectibles.asp>

64. D

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

SOURCE: FI:079

SOURCE: IN

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 284-286]. Boston, MA: Cengage Learning, Inc.

65. A

An investor receives on the date of maturity. The face value of a corporate bond is printed on the bond and is the amount an investor receives on the date of maturity. For example, an investor buys a \$1,000 corporate bond that pays 10% interest a year for five years. When the bond matures in five years, the investor is repaid the investment of \$1,000. However, over the five-year period, the investor also is paid 10% annual interest on the face value of the bond. The interest is not the face value. The face value is the amount an investor pays for the bond but is not the quarterly dividend. The face value is the actual amount of the bond rather than the amount a business believes the bond is worth.

SOURCE: FI:236

SOURCE: IN

SOURCE: U.S. Securities and Exchange Commission. (2013, June). *What are corporate bonds?* Retrieved September 6, 2019, from https://www.sec.gov/files/ib_corporatebonds.pdf

66. C

Net pay. The net pay is the amount of money Althea will actually receive after all her withholdings have been taken out. This is the money that will be deposited in her bank account. The gross pay is the amount she earns before her withholdings are taken out. Federal income tax and state tax are money that Althea owes to the government.

SOURCE: FI:068

SOURCE: EI

SOURCE: Clearpoint. (2011, December 15). *How to read your paycheck stub*. Retrieved September 5, 2019, from <https://www.clearpoint.org/blog/how-to-read-your-pay-stub/>

67. A

It builds up cash value. Whole-life insurance is also called ordinary or straight life insurance. One of the benefits of whole-life insurance is that as the policyholder pays premiums, the cash value of the policy increases. If necessary, s/he can cash in the policy for its cash value or borrow money against the cash value. The interest paid on the premiums is not usually high. Whole-life premiums increase as the policyholder gets older, but the face value of the policy stays the same. Life insurance policies do not have deductibles.

SOURCE: FI:081

SOURCE: RM

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 208-211]. Boston, MA: Cengage Learning, Inc.

68. C

Homeowner's insurance protects the homeowner from associated risks such as damage or injuries to others. To be reimbursed for losses, insurance must be purchased before a loss or a disaster. In addition, some disasters like floods and earthquakes are not covered by traditional homeowner's policies. Homeowner's insurance is not purchased from individual homeowners; it is sold to them by a risk-sharing firm. Homeowner's insurance does not protect a homeowner from losses resulting from bankruptcy or a disability; disability insurance can be purchased to help cover expenses due to a personal disability.

SOURCE: FI:081

SOURCE: RM

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 261-268]. Boston, MA: Cengage Learning, Inc.

69. D

\$111,000. Businesses usually obtain property insurance to protect them from damage due to natural disasters such as hurricanes. Most insurance policies specify that the insurance company will pay all or part of the cost of the damage less the deductible, which is the amount that the business agrees to pay for any damage that may occur. To determine the settlement, first calculate 90% of the damage ($\$125,000 \times 90\%$ or $.90 = \$112,500$). Then, subtract the amount of the deductible to determine the final amount of the settlement ($\$112,500 - \$1,500 = \$111,000$).

SOURCE: FI:083

SOURCE: RM

SOURCE: Gusner, P. (2019, June 17). *Hurricanes and home insurance: 5 key questions answered*. Retrieved September 6, 2019, from <https://www.insure.com/home-insurance/hurricane-insurance.html>

70. A

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

SOURCE: FI:327

SOURCE: SS

SOURCE: DuCoin, E. (n.d.). *Verifying accuracy on utility bills*. Retrieved September 6, 2019, from <http://www.orpicalenergy.com/verifying-accuracy-on-utility-bills/>

71. B

\$282.23. Interest is the amount of money the investment issuer pays an investor for using the investor's money. Depending on the type of investment (e.g., savings account), interest is compounded at certain intervals (e.g., daily, quarterly, annually), which means that interest is earned upon the previous interest amount earned. In the example, the interest is compounded annually. To determine the value of Amelia's savings account after two years, first calculate the interest earned after the first year. Do this by multiplying the savings account deposit amount by the interest percentage rate, then add the interest amount earned to the savings account deposit amount ($\$250 \times .0625$ or $6.25\% = \$15.63$; $\$250 + 15.63 = \265.63). After one year, the money is worth \$265.63. Now, the interest begins to compound, and you must determine the value of the money in the savings account at the end of the second year. Do this by multiplying the savings account balance (amount) at the end of the first year by the interest percentage rate ($\$265.63 \times .0625$ or $6.25\% = \$16.60$). Finally, add together the savings account balance (amount) at the end of the first year to the interest amount earned during the second year ($\$265.63 + \$16.60 = \$282.23$).

SOURCE: FI:238

SOURCE: EI

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 103-104]. Boston, MA: Cengage Learning, Inc.

72. B

\$2,060. The formula for calculating future value is $\text{Future Value} = \text{Present Value} \times (1 + \text{Discount Rate})$. To determine how much your investment will be worth in a year, convert the annual rate to a decimal ($3\% = 0.03$), and add one ($1 + 0.03 = 1.03$). Finally, multiply that sum by the original amount of your investment ($\$2,000 \times 1.03 = \$2,060$).

SOURCE: FI:238

SOURCE: EI

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 103-104]. Boston, MA: Cengage Learning, Inc.

73. B

Beneficiary. A beneficiary is a person who receives funds from a trust, will, or insurance policy. Marvin's daughter is his beneficiary, since he's leaving her all of his money. An executor is the person who is in charge of making sure the will is carried out. Probate is the process of determining whether or not a will is valid. A conservator is appointed when a person becomes incapacitated and needs someone to make decisions for him/her.

SOURCE: FI:572

SOURCE: FD

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 410-413]. Boston, MA: Cengage Learning, Inc.

74. A

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

SOURCE: FI:625

SOURCE: CD

SOURCE: Luthi, B. (2018, December 18). *What to do if your loan is denied*. Retrieved September 6, 2019, from <https://www.experian.com/blogs/ask-experian/what-to-do-if-your-loan-is-denied/>

75. B

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

SOURCE: HR:467

SOURCE: EI

SOURCE: Johnston, K. (2019). *What are the components of a comprehensive total rewards & motivation system?* Retrieved September 6, 2019, from <http://smallbusiness.chron.com/components-comprehensive-total-rewards-motivation-system-36942.html>

76. B

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

SOURCE: OP:188

SOURCE: RM

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 276-277]. Boston, MA: Cengage Learning, Inc.

77. D

Insurance fraud. Insurance fraud is an illegal act that occurs when an insurance customer lies about the details of an accident to collect payment. Insurance coverage refers to the coverage provided by an insurance company. A deductible is a set amount that the owner agrees to pay before any further damages will be reimbursed by insurance. A total loss refers to a vehicle that has so much damage that it is too expensive to repair.

SOURCE: OP:187

SOURCE: RM

SOURCE: Pennsylvania Insurance Fraud Prevention Authority. (2019). *Automotive insurance fraud*. Retrieved September 6, 2019, from <https://www.helpstopfraud.org/Types-of-Insurance-Fraud/Automotive>

78. B

Increases your chances of success in life. Success has been defined as reaching the goals you have set yourself. Setting goals helps you achieve success by helping you understand yourself, giving you a target to aim toward, raising your level of self-esteem, and giving you a way to measure your progress. Goals should be accepted as your own, not set to please others. Goals provide valuable guidelines, not restrictions. Not all goals make life simpler.

SOURCE: PD:018

SOURCE: FD

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

79. B

Make decisions in an organized manner. A person using a decision-making model is making decisions in an organized manner. There is no way to ensure that any decision will have the best result. A person using a decision-making model does not rely on intuition to make predictions or try to convince others that his/her own views are correct.

SOURCE: PD:017

SOURCE: FD

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

80. D

Occupational publications. The library is a good source for people to get information about career opportunities. Governments and private publishers often develop and print up-to-date reference books that contain information about career trends, salaries, skills, training and education for a wide variety of jobs. These types of reference books usually are available at the library. Fictitious magazine articles, technical books, and international data almanacs are not the best sources for Janelle to obtain credible career information.

SOURCE: PD:022

SOURCE: EI

SOURCE: Net Industries. (2019). *Getting a job: Sources of career information*. Retrieved September 6, 2019, from <https://jobs.stateuniversity.com/pages/56/Getting-Job-SOURCES-CAREER-INFORMATION.html>

81. C

Interests. A person must consider many personal factors when deciding which career to pursue. Personality traits are an individual's unique qualities and behavior. A person's ability refers to his/her capacity to perform a certain task or function. Interests are those things that a person enjoys doing. When determining the career in which he will be most happy and successful, Joseph must consider all of these factors. For example, if Joseph is very introverted, doesn't play the piano well, and doesn't like classical music, he probably should not pursue a career as a concert pianist. A technique is a method or way of doing something. An expression is a representation of something. An opportunity is a situation in which favorable circumstances present themselves. Because opportunities change frequently, these are not primary factors that a person should consider when determining which career to pursue.

SOURCE: PD:023

SOURCE: EI

SOURCE: The Muse. (2013, November 1). *9 questions that'll help you find your dream career*. Retrieved September 6, 2019, from <https://www.forbes.com/sites/dailymuse/2013/11/01/9-questions-thatll-help-you-find-your-dream-career/#19a2133553d9>

82. D

Corporate finance. Diana's job preparing bills and invoices for her company is in the area of corporate finance. The corporate finance function in a company is to manage policy and strategy for (and the implementation of) capital structure, budgeting, acquisition and investment, financial modeling and planning, funding, dividends, and taxation. Diana's career is not in the area of marketing communications, securities and investments, or professional selling. Marketing communications involves marketing activities that inform, remind, and/or persuade the targeted audience of ideas, experiences, goods/services, and/or images. The securities and investments industry consists of brokerage firms, investment banks, and stock exchanges, all of which support the flow of funds from investors to companies and institutions. Careers in professional selling involve marketing and management activities that determine customer needs/wants and respond through planned, personalized communication to influence purchase decisions and enhance future business operations.

SOURCE: PD:025

SOURCE: EI

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

83. D

Website. Many companies post their job openings on their websites. In most situations, a business has a set of procedures for applicants to follow when they apply for jobs online. Some businesses allow job seekers the ability to set up an account, so they can track and check the status of their applications and receive email updates about new job openings. Employee newsletters do not always contain information about current job openings. Online catalogs provide information about the business's goods and services. Annual reports do not contain information about job openings.

SOURCE: PD:026

SOURCE: EI

SOURCE: Fowler, J. (2019, June 25). *9 different ways to find a new job*. Retrieved September 6, 2019, from <https://www.investopedia.com/financial-edge/0711/9-different-ways-to-find-a-new-job.aspx>

84. A

Why did you leave your previous job? Most employment applications ask why you left previous jobs. The answer should be positive and not in any way critical of a former employer. Common reasons for leaving previous jobs include accepting a better position, returning to school, or because the job was a seasonal position that ended. The question about eligibility to work in this country usually appears in the personal information section. Questions about course of study completed are contained in the education section. The question about availability to begin work is usually in a general section about the type of job desired.

SOURCE: PD:027

SOURCE: EI

SOURCE: Goodwill Community Foundation. (1998-2019). *Job applications: Completing a job application*. Retrieved September 6, 2019, from <https://www.gcflernfree.org/jobapplications/completing-a-job-application/1/>

85. D

White. Formal letters, such as letters of application or business letters, look best when typed on white paper. Often, letters of application are duplicated for distribution to several people within a large company. Letters on white paper reproduce most effectively and maintain a professional appearance. Brightly colored paper may be used for informal letters but is not appropriate for business correspondence.

SOURCE: PD:030

SOURCE: EI

SOURCE: Lauren, L. (2018, June 8). *What type of paper should a resume be printed on?* Retrieved September 6, 2019, from <http://work.chron.com/type-paper-should-resume-printed-on-3137.html>

86. C

She has limited work experience. Many beginning workers who are applying for jobs lack work experience. Therefore, it is appropriate for them to emphasize their education and outside activities in order to convince prospective employers that they are capable of doing the work. Education, hobbies, and personal skills are good substitutes for beginning workers to emphasize in their résumés, if they have limited work experience. The employer establishes the requirements for the job. Personal data include name, address, telephone number, birth date, etc. Career expectations are the goals that a person hopes to achieve in the world of work.

SOURCE: PD:031

SOURCE: EI

SOURCE: Doyle, A. (2019, July 31). *College graduate resume example and writing tips*. Retrieved September 6, 2019, from <https://www.thebalancecareers.com/college-graduate-resume-example-2063196>

87. C

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

SOURCE: PD:154

SOURCE: SS

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 94-95]. Boston, MA: Cengage Learning, Inc.

88. C

Mortgage loans are secured with collateral. Since mortgages are secured with the collateral of a house, a bank can foreclose on the house if the owner is unable to repay the debt. Risking the loss of a home to eliminate the unsecured debt of a credit card is not a wise move. Lending institutions offer other loan products that can help a person manage credit card debt without risking the loss of their home. Mortgage interest rates are typically lower than credit card rates. A person's method of financing doesn't necessarily lead to excessive spending. Mortgage loans and home equity lines of credit are considered secured debt because they are backed by collateral.

SOURCE: PD:155

SOURCE: CD

SOURCE: Kissell, C. (2019, February 25). *Is a HELOC a smart way to pay off credit card debt?* Retrieved September 6, 2019, from <https://creditcards.usnews.com/articles/is-a-heloc-a-smart-way-to-pay-off-credit-card-debt>

89. B

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

SOURCE: PD:319

SOURCE: RM

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 268-272]. Boston, MA: Cengage Learning, Inc.

90. C

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

SOURCE: PD:321

SOURCE: RM

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 257, 262-265]. Boston, MA: Cengage Learning, Inc.

91. C

Insured person. Only the death of the insured person fulfills the legal requirements for death benefits to be paid to the beneficiary.

SOURCE: PD:323

SOURCE: RM

SOURCE: Ryan, J.S. (2012). *Personal financial literacy* (2nd ed.) [p. 199]. Mason, OH: South-Western Cengage Learning.

92. A

Non-work-related injury or illness. Short-term disability provides a portion of regular pay for a short period of time after a waiting period of 1-14 days to cover temporary non-work-related injuries or illnesses. A work-related injury or illness is covered by worker's compensation. Cold or flu symptoms are usually short-lived and can be covered by personal days. Educational training is not a situation that short-term disability insurance provides for.

SOURCE: PD:324

SOURCE: RM

SOURCE: Ryan, J.S. (2012). *Personal financial literacy* (2nd ed.) [pp. 198-199]. Mason, OH: South-Western Cengage Learning.

93. D

Being a career salesperson. An occupation is defined as the principal business of one's life. Occupations are usually paid work that consists of similar activities that are performed by the people during their careers. For example, people working as salespeople often use the same skills and perform similar tasks in each job they hold throughout their sales careers. People who obtain part-time jobs generally work fewer hours than full-time employees. Often, these types of positions are short term and are not always related to one's career goals. For example, a college student who is studying to become a teacher might work part-time in a quick-serve restaurant to help cover school expenses. People who change jobs within a company do not always move to similar or occupation-oriented positions. When people explore new employment options, they are generally looking for new jobs, but the jobs are not always occupational in nature.

SOURCE: PD:034

SOURCE: EI

SOURCE: Lawrence, G. (2018, December 28). *The difference between a job, occupation, and career*. Retrieved September 6, 2019, from <https://careertrend.com/info-8226168-difference-between-job-occupation-career.html>

94. D

Audrey was hired as a sales coordinator, was promoted to salesperson, and is now sales manager of CTK Corporation. Many companies promote from within, so the creation of new jobs opens the door for current employees to be considered for a promotion. The opportunity for promotion often occurs when employees retire or leave the company or the company expands and creates new positions. Each time Audrey was promoted within her company, she worked in the same business and her responsibilities increased, which is how careers often advance. There is not enough information provided to know if James held other positions within the company before he became production manager. Dylan's job change was a lateral move to another company. Julia's job change involved obtaining a more responsible position with another company.

SOURCE: PD:034

SOURCE: EI

SOURCE: Kurtus, R. (2016, December 26). *Basics of career advancement*. Retrieved September 6, 2019, from http://www.school-for-champions.com/career/basics_of_career_advancement.htm#.WgHhCmiPKM9

95. C

They allow the same kinds of trades as full-service brokers. Discount brokers allow the same basic transactions that full-service brokers offer. Beginning investors need not avoid them, as they may be very useful to beginning investors. Discount brokers are no riskier than full-service brokers, and they sell the same stocks that full-service brokers sell.

SOURCE: PD:234

SOURCE: IN

SOURCE: Chen, J. (2019, June 7). *What is a discount broker?* Retrieved September 6, 2019, from <https://www.investopedia.com/terms/d/discountbroker.asp>

96. A

The secondary market. When investors trade securities that have already been issued by a corporation, they are trading on the secondary market. The secondary market is composed of stock exchanges, the over-the-counter market, and direct trading. An investor may trade on any of these and be trading on the secondary market.

SOURCE: PD:236

SOURCE: IN

SOURCE: Kenton, W. (2019, June 22). *Secondary market*. Retrieved September 6, 2019, from <http://www.investopedia.com/terms/s/secondarymarket.asp>

97. A

Testing. Government regulations require the thorough testing of many new products such as drugs or infant car seats before these products may be sold to consumers. The purpose of government-required testing is to make sure the new products are safe for consumers to use or consume. For example, it takes from five to nine years to get most new drugs on the market because drug companies must meet the extensive testing requirements of the Food and Drug Administration. Licensing is the process of issuing a government permit allowing a business to function in the marketplace. Training is teaching or developing a specific skill. Labeling is the process of attaching printed information to a product.

SOURCE: PM:017

SOURCE: FD

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

98. D

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

SOURCE: PD:323

SOURCE: IN

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 208-211]. Boston, MA: Cengage Learning, Inc.

99. A

Bonds. Businesses sometimes issue bonds to obtain long-term capital or funds. Bonds are a type of long-term debt that a business repays at a specified time with interest. The benefit of selling bonds to investors is that the businesses have access to the funds for a long time before they must repay the investors. Stocks are shares, or units, of ownership in a corporation. A loan is a sum of money lent to a business for a specific time period that is repayable with interest.

SOURCE: PD:313

SOURCE: IN

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 331-341]. Boston, MA: Cengage Learning, Inc.

100. A

Business plan. A business plan is the written document that is developed before starting a business. It explains the goals and objectives of the company and how the company intends to achieve those goals. Developing a business plan helps the business to be organized, understand the risks it might face, and develop strategies to overcome possible problems. A corporate report and an annual report are documents prepared to explain how a business is doing. They are often prepared for investors. A management plan explains the organization of a business.

SOURCE: SM:007

SOURCE: EI

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