



# SAMPLE EXAM

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## PERSONAL FINANCIAL LITERACY

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

PERSONAL FINANCIAL LITERACY **PFL**

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

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1. What requirement of a legally enforceable contract requires that both of the parties who are entering into the contract are sane, sober, and of legal age?
  - A. Legality of purpose
  - B. Consideration
  - C. Genuineness of assent
  - D. Capacity
2. Josh took out a student loan to pay for his college education. Josh's loan is an example of a(n) \_\_\_\_\_ debtor-creditor relationship.
  - A. involuntary
  - B. compulsory
  - C. voluntary
  - D. unenforceable
3. What is one reason that regulation in the securities and investments industry is considered ethical?
  - A. Securities and investment professionals tend to be unethical.
  - B. Individual wealth increases when there is more regulation.
  - C. Regulation helps protect investors and the public from harm.
  - D. Regulation helps securities and investment professionals avoid jail time.
4. One of the responsibilities of finance professionals is to provide clients with services that the clients usually are
  - A. convinced they do not need.
  - B. not willing to purchase.
  - C. incapable of understanding.
  - D. unable to obtain by themselves.
5. Before recommending specific products or services to clients, what should a finance professional do?
  - A. Develop a proxy statement
  - B. Conduct a needs analysis
  - C. Place a stop or buy order
  - D. Conduct dollar cost averaging
6. Erin plans to use the income she earns from her part-time job to attend college part-time. So far, Erin has saved \$2,000 to use for a tuition bill of \$1,900 in a few weeks. Unfortunately, her car needs repairs costing \$1,000. Without a car, Erin won't be able to travel to work, causing her to lose \$500 in wages each week. Which of the following solutions would help Erin make the best use of her resources:
  - A. Spend \$1,000 for car repairs, continue working, and delay entry into college for a semester
  - B. Quit her job and pay the tuition to avoid the financial burden of loans and interest
  - C. Get a student loan for tuition, spend \$1,000 for car repairs, and continue working to earn income
  - D. Spend \$1,000 for car repairs and continue working to earn income to pay for tuition
7. Limited resources are those that are
  - A. scarce.
  - B. unnecessary.
  - C. abundant.
  - D. easily replaced.
8. When a customer is permitted to pay his/her credit account in full in 30 days, or make a minimum payment and be charged a finance charge on the balance, s/he has a(n) \_\_\_\_\_ account.
  - A. revolving
  - B. installment
  - C. regular
  - D. cycle billing
9. When a small business purchases insurance to protect itself from losses associated with flooding and hurricanes it is
  - A. transferring risk.
  - B. preventing threats.
  - C. retaining responsibility.
  - D. avoiding hazards.
10. Which of the following is a true statement regarding inflation's effects on the economy:
  - A. Inflation does not affect everyone equally.
  - B. The effects of inflation are worse for businesses than for individuals.
  - C. Inflation hits gas prices before anything else.
  - D. Interest rates influence the inflation rate.
11. Which of the following is the result of both parties using the collaborative negotiation style during a negotiation:
  - A. Neither party is satisfied.
  - B. One party is satisfied, the other is not.
  - C. Both parties are satisfied.
  - D. No outcome is achieved.

12. Which of the following is an example of entrepreneurship:
- A. Raul invests his money in the stock market.
  - B. Wesley starts working for his mother's accounting firm.
  - C. Elissa starts a company when she develops a new app.
  - D. Penelope asks her boss for a pay raise.
13. Landon wants to start a home-based T-shirt printing business. Which of the following are the most critical equipment and supplies that Landon will need to get his business up and running?
- A. T-shirts, thread, and display cases
  - B. Printing machine, display cases, and T-shirts
  - C. Artwork, T-shirts, and thread
  - D. T-shirts, printing machine, and artwork
14. Olivia is assessing the risks associated with starting a new business. She is considering how her professional reputation will be affected if her new business is not successful. What type of risk is Olivia considering?
- A. Legal
  - B. Market
  - C. Economic
  - D. Career
15. Which of the following would be the most appropriate item to purchase with a credit card:
- A. Magazine
  - B. Pack of gum
  - C. Airline ticket
  - D. Small pizza
16. Which of the following is a disadvantage of using cash as a form of financial exchange:
- A. Cash payments often incur fees.
  - B. It is easy to steal or lose.
  - C. There is a higher risk of fraud.
  - D. The risk of theft decreases.
17. Which of the following is a benefit of using a debit card instead of a credit card:
- A. You can spend more money at a time.
  - B. You can build your financial rating.
  - C. Expenses can be paid at a later date.
  - D. There is no risk of going into debt.
18. Which of the following is an example of legal tender issued by the federal government:
- A. Mutual funds
  - B. Corporate bonds
  - C. Bank notes
  - D. Municipal bonds
19. If individuals are not self-employed, which of the following is a type of earned income they might receive:
- A. Vacation pay
  - B. Child support income
  - C. Interest and dividends
  - D. Trust disbursements
20. Which of the following is the opportunity cost for a person who decides to place \$500 in the bank rather than purchase something s/he really wants but does not need:
- A. Immediate gratification
  - B. Higher discretionary income
  - C. Lower salary or wages
  - D. Long-term dissatisfaction
21. Every year since she was born, Sophia's grandparents invested \$100 on her birthday. Sophia is now 18 and the investment has grown large enough to pay for most of her college expenses. Her grandparents explain that this is because her money has grown in two ways: by earning interest, and then by earning interest on that interest. This is an example of
- A. present value.
  - B. simple interest.
  - C. compound interest.
  - D. inflation.
22. Regular credit accounts are sometimes called open accounts because they allow
- A. credit users to make the minimum payment at any time during the month.
  - B. first-time credit users to charge without having a credit check.
  - C. credit users to make purchases at any time during a set period.
  - D. long-time credit users to purchase items without finance charges.

23. Before deciding how to use scarce resources, people should first examine the
- A. work situations.
  - B. production schedules.
  - C. manufacturing lead time.
  - D. opportunity costs involved.
24. The credit applicant was told, "We have approved your credit application because of your excellent credit rating." Which of the following factors helped the applicant win approval:
- A. Conditions
  - B. Capacity
  - C. Capital
  - D. Character
25. Banks must clearly communicate loan terms to the loan applicants, and loan applicants must be honest and provide accurate information about their finances to the bank during the application process. What concept does this situation describe?
- A. The Rule of Financial Stability
  - B. The 80/20 Rule
  - C. Doctrine of Accounting Transparency
  - D. Doctrine of Utmost Good Faith
26. Carmen has 8% of her weekly paycheck placed in an employer-sponsored fund that she can access later in her life, when she is no longer working. Carmen is planning for her
- A. business venture.
  - B. children's college education.
  - C. retirement.
  - D. estate's distribution.
27. Financial planning is important because it can help you
- A. understand economics and finance.
  - B. meet needs and wants.
  - C. predict the future.
  - D. increase your income.
28. Choosing to buy an item at the checkout counter is often an example of
- A. financial self-control.
  - B. poor use of credit.
  - C. impulsive spending.
  - D. smart shopping.
29. When setting your financial goals, you should choose goals that are
- A. realistic and general.
  - B. realistic and specific.
  - C. unrealistic and specific.
  - D. unrealistic and general.
30. When Jeremy develops his personal budget, he should categorize the money that he spends on food, clothing, and entertainment as
- A. periodic investments.
  - B. fixed costs.
  - C. relational outflows.
  - D. variable expenses.
31. Investing involves using money to \_\_\_\_\_, while saving involves putting money away for \_\_\_\_\_ use.
- A. contribute interest; public
  - B. spend money; current
  - C. make money; future
  - D. collect interest; historical
32. Annie currently has \$20,000 of mortgage debt, \$3,000 of credit card debt, and \$15,000 of student loan debt. These are all examples of
- A. personal assets.
  - B. negative debt.
  - C. positive debt.
  - D. liabilities.
33. According to Isaac's pay stub, his total earnings before deductions are \$1,425. His total deductions are \$255. What is Isaac's net income?
- A. \$1,170
  - B. \$1,425
  - C. \$1,680
  - D. \$1,298
34. If William wants to determine the dollar amount that he has earned before taxes and other deductions for the pay period, he should look at the \_\_\_\_\_ on his paycheck stub.
- A. year-to-date gross earnings
  - B. net pay
  - C. gross wages
  - D. year-to-date net income

35. When you receive a bank statement, you should always
- A. accept any discrepancies as mistakes on your part.
  - B. pay the bill immediately without reconciling it.
  - C. compare the listed transactions with your receipts.
  - D. assume that the financial institution has the correct records.
36. One reason that the balance on your bank statement would be higher than your checkbook register would be that
- A. you did not record a bank withdrawal.
  - B. a deposit has not been credited to your account yet.
  - C. an automated payment was deducted from your account.
  - D. you've written checks after the covered period.
37. Limiting the number of credit cards that you have will help you
- A. waive the transaction fees for each card.
  - B. purchase most of the items that you want.
  - C. manage your spending.
  - D. exceed your credit limit.
38. Dan is working part-time delivering pizzas. He has a new credit card with 0% interest, a credit limit of \$5,000, and no minimum payment required for the first six months. The card also grants 1% cash back for all purchases. How can he wisely handle his account for the first six months?
- A. Make small monthly payments
  - B. Make no payments until the six-month period is over
  - C. Earn more cash back by using all of the available credit
  - D. Pay the balance in full each month
39. Incorrect information on an individual's credit report may hinder his/her ability to
- A. pay monthly credit card balances.
  - B. withdraw money from a savings account.
  - C. obtain a bank loan.
  - D. earn interest on stock holdings.
40. Monitoring financial accounts and reading bank statements on a regular basis can help detect activities associated with
- A. securities fraud.
  - B. property infringement.
  - C. personal hijacking.
  - D. identity theft.
41. Failing to pay credit card bills on time will likely result in
- A. no penalties or consequences.
  - B. late fees and interest charges.
  - C. an increase in credit score.
  - D. being fired from your job.
42. Taryn is choosing between two apartments. Which of the following factors is most important for her to consider in order to make a responsible financial decision:
- A. The appliances
  - B. The cost of rent
  - C. The size of the bedroom
  - D. The location
43. Janie has a problem with impulse spending. When she goes to the store, she frequently ends up purchasing items that she doesn't really need. Impulse spending can lead to
- A. debt accumulation.
  - B. a high credit score.
  - C. credit card fraud.
  - D. identity theft.
44. Financial markets promote long-term economic development by
- A. directing the flow of investment to encourage production.
  - B. reducing liquidity.
  - C. providing indicators of economic health.
  - D. limiting information available to market participants.

45. Patrick wants to keep a certain amount of his money in a safe place in which he can earn interest on his savings, and also be able to withdraw his funds without experiencing sizable financial penalties. In what type of financial institution should Patrick consider placing his money?
- A. A holding company
  - B. The stock market
  - C. A retirement fund
  - D. A retail bank
46. How can a consumer typically determine the best interest rates for personal savings accounts and personal loans?
- A. Evaluate credit union requirements and rates
  - B. Evaluate commercial banks' requirements and rates
  - C. Evaluate rates offered by uninsured online banks
  - D. Contact a brokerage firm to get advice
47. Annie and her husband Jeff want to buy a house. Which of the following financial-services providers could help them explore mortgages, create a strategy for home buying, and determine how much they can spend on their new home:
- A. Investment advisor
  - B. Stockbroker
  - C. Estate planner
  - D. Financial planner
48. For a job seeker to find the most satisfactory job, s/he needs to
- A. consider salary or wages top priority.
  - B. identify his/her own goals and skills.
  - C. interview with several large companies.
  - D. seek a job with advancement possibilities.
49. Which of the following is the most important consideration in selecting a banking institution:
- A. The bank's broad range of services
  - B. The bank's ability to help plan your future financial needs
  - C. The bank's ability to meet your current financial needs
  - D. The bank's capacity to be financially profitable
50. If you are nearing retirement, which investing approach will you use?
- A. Moderate
  - B. Tax-minimizing
  - C. Conservative
  - D. Aggressive
51. Investors continue to purchase the Cutting Edge company's stock even though its stock price is increasing. As a result, the company's \_\_\_\_\_ value is also increasing.
- A. underlying
  - B. accounting
  - C. intrinsic
  - D. market
52. Glenn has committed to investing \$100 each month to buying shares of his favorite stock, Microsoft. Last month, when the stock price was \$22, he bought 4.54 shares. This month the stock price is \$25, so he bought just 4 shares. This strategy is called
- A. dollar cost averaging.
  - B. diversification.
  - C. growth investing.
  - D. buy-and-hold.
53. The Milton Ladder Corporation, which is publicly traded, is in the process of acquiring the Bradley Chute Company. What type of document is Milton Ladder required to file within 15 days of the acquisition?
- A. Form 10-Q
  - B. Form 10-K
  - C. Form 8-K
  - D. Form 4
54. What do the numbers listed in a stock table's 52-week high and low column tell you?
- A. The range of where the stock price should be
  - B. If the stock price is overvalued
  - C. The best prices for the stock
  - D. The range of prices for the year



63. What is an example of good debt?
- A. Putting zero down on a home loan
  - B. Using credit cards to pay for a family vacation
  - C. Leasing a car that you plan to keep for at least 10 years
  - D. Having your children take out loans for college
64. Which of the following statements related to debt management is true:
- A. Debt collectors are permitted to contact you at any time and in any manner, even if you've requested that they stop contacting you.
  - B. If you're struggling to pay your bills, you should contact your creditors to work out a modified payment plan.
  - C. There is no risk of losing assets such as your car or home when you receive a secured loan from a creditor.
  - D. In many countries, your debts are absolved after you fail to pay your bills for 15 years.
65. Which of the following documents will allow the beneficiary of an estate to avoid probate:
- A. Power of attorney
  - B. Living will
  - C. Will
  - D. Living trust
66. Before you begin planning your estate, what should you do?
- A. Give to charity.
  - B. Create your will.
  - C. Designate power of attorney.
  - D. Determine all of your assets.
67. Many consumer loan applications require the borrower to indicate assets or personal property that the lender may acquire if the loan is not repaid. These loans are secured by
- A. collateral.
  - B. deposit.
  - C. risk.
  - D. credit.
68. At her last job, Luisa made \$50,000. At her new job, she only makes \$48,000, but she also receives retirement benefits, free childcare, and a gym membership stipend. This is an example of how
- A. job seekers should not agree to take pay cuts.
  - B. salary is not an important aspect of compensation.
  - C. total rewards systems can supplement compensation.
  - D. dividends and interest can contribute to personal wealth.
69. Which of the following is an additional benefit that an employer may choose to offer its employees to attract top talent and encourage high performance:
- A. Unemployment compensation
  - B. Worker's compensation
  - C. Stock options
  - D. Performance reviews
70. Rhonda is doing research for a paper in her business class. She should use sources that
- A. were written by authors who are reputable.
  - B. emotionally present one side of an issue.
  - C. are no more than 20 years old.
  - D. could be considered propaganda.
71. To learn objective information about a news topic, you should
- A. rely on a single news source for information.
  - B. compare numerous different sources.
  - C. read opinion columns in the newspaper.
  - D. distrust the national news media.
72. What type of financial adviser is most likely to provide good overall advice about investment products?
- A. One who is a certified financial planner
  - B. One who sells investment products for a commission
  - C. One who charges a set fee for his/her consulting services
  - D. One who is a certified public accountant



73. During a storm, a large tree crashes into Jamal's living room damaging all his electronic devices. How can he get reimbursed so he is able to buy new devices to replace the damaged ones?
- A. Purchase a home insurance policy
  - B. File a claim with his home insurance policy provider
  - C. Find warranties for his electronic devices
  - D. Purchase warranties for his electronic devices
74. Jamie carries comprehensive insurance coverage and is involved in a car accident. The other driver carries liability and collision insurance. Jamie's car is destroyed, and both insurance companies determine that Jamie is at fault for the accident. Who is responsible for paying for damages to Jamie's car?
- A. Jamie must pay all damages herself
  - B. The other driver's insurance company
  - C. The other driver
  - D. Her insurance company
75. Christine is buying a new computer. If she's making her decision logically, which of the following is true:
- A. She's looking at her alternatives from a neutral point of view.
  - B. She's listening to her friends' opinions.
  - C. Her decision-making process is highly subjective.
  - D. Her decision is influenced by how the computers are presented.
76. Some occupations require that businesspeople participate in professional development activities in order to maintain their
- A. benefits.
  - B. working conditions.
  - C. certification.
  - D. career interests.
77. Connor thinks that he may be interested in pursuing a career as an insurance underwriter. He accessed a government website, which provided him with information about an insurance underwriter's educational requirements, typical job responsibilities, salary ranges, and
- A. career goals.
  - B. employment outlook.
  - C. programming needs.
  - D. testing tips.
78. When considering employment opportunities in business, individuals should consider their
- A. wants and needs.
  - B. talents and skills.
  - C. health and safety.
  - D. time and money.
79. When selecting a qualified financial planner, it is important to consider his/her
- A. living expenses and licensure.
  - B. living expenses and personal goals.
  - C. personal goals and education.
  - D. education and licensure.
80. What is the first step in completing a job application?
- A. Identifying questions that do not apply to the applicant
  - B. Completing the form's work history section
  - C. Reading the entire form to follow directions
  - D. Listing personal references
81. Which of the following should you do when preparing your letter of application:
- A. Mention any mutual contacts you have.
  - B. Write a letter that is at least one page long.
  - C. Repeat everything that is on your résumé.
  - D. Proofread quickly so you can send the letter sooner.
82. When writing a letter of application for a sales position, it is important to address it to the
- A. person hiring for the position.
  - B. company's CEO or president.
  - C. human resources manager.
  - D. sales department manager.
83. Which of the following information should you include in your résumé:
- A. Relevant volunteer experience
  - B. Reasons for leaving a previous job
  - C. Your salary expectations
  - D. Your personal references

84. Brian recently got his first part-time job as a food bagger at a local grocery store. He needs a safe place to store his income that allows him to withdraw money easily and frequently. Brian should consider opening a(n) \_\_\_\_\_ account.
- A. savings
  - B. checking
  - C. health savings
  - D. individual retirement
85. Lucy has decided to open a restaurant. What kind of lending service might she need?
- A. A wire transfer
  - B. Debt consolidation
  - C. Payday loan
  - D. Line of credit
86. One benefit of loan products is that they allow individuals to pay for goods and services when they need them. One downside of loan products is that
- A. it is difficult to find a significant other if you have loans.
  - B. employers do not hire individuals with loans.
  - C. individuals with loans rarely qualify for scholarships.
  - D. credit grantors charge interest fees in return.
87. Insurance companies are regulated and supervised in order to
- A. maximize the profits of the insurance industry as a whole.
  - B. protect customers from unfair or discriminatory treatment.
  - C. improve the relationships among insurance companies.
  - D. encourage insurance companies to be more efficient.
88. Why do companies providing financial loans and leases for new automobiles often require the car owner to carry gap insurance?
- A. To cover any difference between the owed amount and the actual value of the vehicle
  - B. To cover any damages due to vandalism or theft
  - C. To cover any damages that may occur from a collision
  - D. To ensure that the owner makes all the remaining payments if the car is totaled
89. Why is it important for a car owner to have liability insurance coverage?
- A. It pays the medical costs for the owner and passengers in his/her car in an accident.
  - B. It protects the owner from paying for damages to others that s/he caused.
  - C. It reimburses the owner for damage caused by flood or fire.
  - D. It pays the owner for damages to his/her car caused by him/her.
90. Who purchases workers' compensation insurance?
- A. Employers
  - B. Employees
  - C. Medical professionals
  - D. Middle managers
91. Which of the following best exemplifies an individual's career progression:
- A. Sales representative, sales director, operations manager
  - B. Advertising coordinator, promotions manager, vice president of marketing
  - C. Lead buyer, assistant buyer, finance manager
  - D. Accounts receivable clerk, production manager, human resources assistant
92. Which of the following statements best describes the difference between an occupation and a career:
- A. Occupation is a broad term that describes the field you work in, whereas your career is your lifelong work journey.
  - B. An occupation is a short-term work endeavor, whereas a career is a long-term work endeavor.
  - C. Your occupation is your lifelong work journey, whereas your career is a short-term job.
  - D. Occupations generally bring you a sense of satisfaction or accomplishment, whereas careers are generally just for a paycheck.
93. In investing, buy and sell orders that are placed online
- A. are not subject to fees.
  - B. take place immediately.
  - C. are directly tied to the securities markets.
  - D. must go through a broker.

94. Why should an investor who wants to actively trade his/her investment choose an ETF instead of a mutual fund?
- A. ETFs don't allow intraday trades or short selling
  - B. Mutual funds don't allow intraday trades or short selling
  - C. ETFs don't provide any access to small industries or niche markets
  - D. Mutual funds are not professionally managed
95. If a company experiences a lot of growth and retains its earnings instead of paying stock dividends, how does a stockholder benefit from owning the stock?
- A. S/He can borrow the company's assets.
  - B. Retained earnings are reflected in the value of the stock.
  - C. S/He is now permitted to vote in stockholder meetings.
  - D. The stock splits increasing his/her number of shares.
96. One difference between stocks and bonds is that
- A. stocks include interest payments.
  - B. bonds must be repaid over time.
  - C. issuing bonds helps businesses grow.
  - D. stocks are safer than bonds.
97. Who is most likely to pay the highest premium for a life insurance policy?
- A. A 48-year-old female who wears reading glasses
  - B. A 25-year-old female who attends graduate school
  - C. A 33-year-old male who works as a legal assistant
  - D. A 45-year-old male who smokes cigarettes daily
98. A salesperson who has been negotiating sales terms with a client feels that the client's terms would be harmful to her/his company's well being. What action should the salesperson be prepared to take?
- A. Walk away
  - B. Accept the client's terms to make the sale
  - C. Continue to negotiate with the client
  - D. Stress the product's benefits
99. An existing business should update its business plan when it is
- A. summarizing its capabilities.
  - B. analyzing stock values.
  - C. planning an expansion.
  - D. submitting a monthly financial report.
100. Limiting loss and enhancing possibilities for gain by evaluating potential hazards is the primary goal of
- A. financial management.
  - B. risk management.
  - C. brainstorming.
  - D. marketing.

1. D  
Capacity. Certain conditions must be met for a contract to be legally enforceable. Capacity involves having the mental and cognitive ability to make and understand the agreement and the consequences of their actions. If one party is a child or is found to be mentally challenged or impaired, the contract is invalid and unenforceable. Consideration means that the agreement must include something of value that both parties bargain for. Genuineness of assent means that all parties know what they are agreeing to. Legality of purpose means that the agreement must not violate any laws.  
SOURCE: BL:002  
SOURCE: FD  
SOURCE: Stim, R. (2020). *Who lacks the capacity to contract?* Retrieved August 5, 2020, from <http://www.nolo.com/legal-encyclopedia/lack-capacity-to-contract-32647.html>
2. C  
Voluntary. There are two types of debtor-creditor relationships: voluntary and involuntary. Voluntary debtor-creditor relationships arise through voluntary, or freely chosen, interactions—such as applying for and taking out a student loan. Involuntary debtor-creditor relationships arise from legal or judicial action. An example of an involuntary debtor-creditor relationship is the issuance of criminal fines. Compulsory and unenforceable are not terms generally used to describe debtor-creditor relationships.  
SOURCE: BL:071  
SOURCE: CD  
SOURCE: Business Filings Incorporated. (2020). *Understanding the debtor-creditor relationship.* Retrieved August 5, 2020, from <https://www.bizfilings.com/toolkit/research-topics/running-your-business/asset-strategies/understanding-the-debtordcreditor-relationship>
3. C  
Regulation helps protect investors and the public from harm. One goal of financial regulation is to protect both individual investors and the public from harm. It aims to keep securities and investment companies from taking advantage of customers and from damaging the economy as a whole. Therefore, regulation is considered ethical because it promotes ethical principles such as accountability, respect, and trust. Individual wealth does not necessarily increase when there is more regulation. Securities and investment professionals do not necessarily tend to be unethical. Regulation also does not help securities and investment professionals avoid jail time.  
SOURCE: BL:104  
SOURCE: IN  
SOURCE: Investopedia. (2019, July 14). *How government regulation affects the financial services sector?* Retrieved August 5, 2020, from <https://www.investopedia.com/ask/answers/030315/what-impact-does-government-regulation-have-financial-services-sector.asp>
4. D  
Unable to obtain by themselves. Financial professionals provide many types of services that clients may be unable to obtain by themselves. For example, financial professionals analyze financial data and are able to provide information about the strength and safety of various products. Clients often do not have the ability to track the growth of these products and rely on professionals for guidance and advice. Finance professionals do not provide clients with services that clients usually are not willing to purchase, incapable of understanding, or convinced they do not need.  
SOURCE: CR:012  
SOURCE: FD  
SOURCE: Fontinelle, A. (2020, May 5). *What do financial advisors do?* Retrieved August 5, 2020, from <http://www.investopedia.com/articles/personal-finance/050815/what-do-financial-advisers-do.asp>

5. B  
Conduct a needs analysis. Before recommending a specific product or service to his/her client, a finance professional should conduct a needs analysis. In other words, as an ethical finance professional, s/he should first determine what the client truly desires or requires and then select products and services that will meet the client's wants and needs. A finance professional would not develop a proxy statement, place a stop or buy order, or conduct dollar cost averaging before recommending specific products or services to clients.  
SOURCE: CR:012  
SOURCE: FD  
SOURCE: Fontinelle, A. (2020, May 5). *What do financial advisors do?* Retrieved August 5, 2020, from <http://www.investopedia.com/articles/personal-finance/050815/what-do-financial-advisers-do.asp>
6. D  
Spend \$1,000 for car repairs and continue working to earn income to pay for tuition. Erin has a few weeks before tuition is due, so if she repairs the car and continues to work she should have enough time to earn \$1,000 to pay for tuition. If Erin quits her job, she will lose her source of income. Erin can avoid a student loan by using the income from her job to pay for tuition. Delaying entry into college will likely result in higher tuition cost for Erin and delay her entry into a career that could earn her even more income.  
SOURCE: EC:003  
SOURCE: FD  
SOURCE: LAP-EC-014—Be Resourceful (Economic Resources)
7. A  
Scarce. Limited resources include land, money, workers, etc. If used without care, these resources can become depleted. Such resources are not easily replaced, are necessary for satisfying human wants and needs, and are not in abundant supply.  
SOURCE: EC:001  
SOURCE: FD  
SOURCE: LAP-EC-006—Are You Satisfied? (Economics and Economic Activities)
8. A  
Revolving. Customers with revolving credit accounts can avoid finance charges by paying the balance due on the account by the end of each 30-day period. There is usually a limit on the total amount of the customer's monthly charges. Cycle billing determines the dates customers receive statements. Regular credit requires balances to be paid in full each month. Installment credit requires a down payment and payments at regular intervals.  
SOURCE: FI:002  
SOURCE: SS  
SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)
9. A  
Transferring risk. Risk is the chance of loss. Businesses can transfer, prevent, retain, or avoid risk. Transferring risk involves shifting the risk to someone else. In the example, the business is shifting risk to the insurance company. In this situation, the insurance company will pay the business for its losses if a hurricane or flooding damages the business. Retaining risk is keeping it. Reducing risk is preventing or controlling it. Preventing risk is taking measures to reduce the risk. The business is not preventing threats, retaining responsibility, or avoiding hazards.  
SOURCE: EC:011  
SOURCE: RM  
SOURCE: LAP-EC-003—Lose, Win, or Draw (Business Risk)

10. A  
Inflation does not affect everyone equally. Inflation affects every participant in the economy, but it does not affect everyone equally. Some prices rise faster or higher than others, affecting the people who buy those products the most. Certain salaries rise faster than others as well. Inflation does not necessarily hit gas prices first. The inflation rate influences interest rates, not the other way around. The effects of inflation are not necessarily worse for businesses than they are for individuals.  
SOURCE: EC:083  
SOURCE: FD  
SOURCE: LAP-EC-083—Up, Up, and Away (Inflation)
11. C  
Both parties are satisfied. When people collaborate, they work together. Collaborative negotiations are more likely to result in outcomes that benefit both parties. Outcomes in which one party is satisfied and the other is not, or in which neither party is satisfied, are unlikely when both parties use the collaborative negotiation style. It is also unlikely that negotiators would be unable to achieve an outcome when using the collaborative style.  
SOURCE: EI:062  
SOURCE: FD  
SOURCE: LAP-EI-062—Make It a Win-Win (Negotiation in Business)
12. C  
Elissa starts a company when she develops a new app. Elissa is an entrepreneur because she identifies an opportunity to create new value, develops and offers a unique product, assumes the risks of starting and building a business, focuses on the improvement and growth of that business, and receives personal and financial rewards for her efforts. Working for someone else's accounting firm, investing money, and asking for a raise are not examples of entrepreneurship.  
SOURCE: EN:039  
SOURCE: EI  
SOURCE: AmosWEB. (2020). *Entrepreneurship*. Retrieved August 5, 2020, from [http://www.amosweb.com/cgi-bin/awb\\_nav.pl?s=wpd&c=dsp&k=entrepreneurship](http://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&c=dsp&k=entrepreneurship)
13. D  
T-shirts, printing machine, and artwork. The requirements (e.g., time, money, and supplies) that a person needs to start a business differ and usually depend on the nature of the business. The basic requirements for starting a home-based T-shirt printing business are T-shirts, artwork to put on the T-shirts, and a printing machine to transfer the artwork to the T-shirts. Landon does not need thread or display cases to get this type of home-based business up and running.  
SOURCE: EN:009  
SOURCE: EI  
SOURCE: Martin, M. (2019, March 4). *What do I need to start a t-shirt business?* Retrieved August 5, 2020, from <http://smallbusiness.chron.com/need-start-t-shirt-business-2263.html>
14. D  
Career. When starting a new business, there is always risk—the possibility of loss or failure. When an entrepreneur leaves a successful career with a reputable company to start a business, there is the risk that the entrepreneur may unintentionally do something to damage her/his reputation. A poor reputation may hinder the entrepreneur's ability to go back to the career if the new venture fails. Olivia is not considering market, economic, or legal risks. Market risks relate to the business's customers or target market and may involve considerations such as product acceptance. Economic risks relate to factors that affect the business cycle (e.g., interest rates and unemployment rates). Legal risks relate to government regulations.  
SOURCE: EN:010  
SOURCE: EI  
SOURCE: VanDeren, J. (2016, October 6). *Career risks: What they are and why we have to take them*. Retrieved August 5, 2020, from <https://blogs.cfainstitute.org/investor/2016/10/06/career-risks-what-they-are-and-why-we-have-to-take-them/>

15. C

Airline ticket. Many lending institutions and retailers offer credit cards, which allow individuals or businesses to purchase now and pay later. Because credit card holders often pay high interest rates and other fees, they must be careful when using their credit cards so they don't charge more than they can pay off in a reasonable time frame. Using credit cards to make large-dollar purchases often makes it easier to change or cancel transactions such as airfare. In fact, many businesses prefer credit cards as a payment method. Using a credit card to purchase a pack of gum, a magazine, or a small pizza is not a good idea, especially if the transaction fee is higher than the price of the good or service.

SOURCE: FI:058

SOURCE: SS

SOURCE: Gans, E. (2014, May 19). *When to use your credit card - and when to not*. Retrieved August 5, 2020, from <https://www.thesimpledollar.com/when-to-use-your-credit-card/>

16. B

It is easy to steal or lose. Cash, more so than other forms of financial exchange, is easy to steal or lose. Carrying a large amount of cash on you places you at a higher risk for theft. Cash payments do not incur fees the way that some other forms of payment sometimes do. There is a relatively low risk of fraud with cash.

SOURCE: FI:058

SOURCE: SS

SOURCE: Myers, C. (2020). *Advantages & disadvantages of the way customers pay businesses*. Retrieved August 5, 2020, from <http://smallbusiness.chron.com/advantages-disadvantages-way-customers-pay-businesses-22024.html>

17. D

There is no risk of going into debt. Debit cards withdraw money from your account in real time, so you will be cut off and notified if you spend too much. The most you will pay is an overdraft fee. In contrast, credit cards allow you to borrow money and pay it back later, with interest. You can spend more than you actually have, which results in debt. Credit cards, rather than debit cards, allow you to build your credit score to prove your financial stability to future employers and landlords. Debit cards do not allow you to pay expenses at a later date or to spend more money at a time than credit cards.

SOURCE: FI:058

SOURCE: CD

SOURCE: Tierney, S. (2020, June 30). *What is a debit card?* Retrieved August 5, 2020, from <https://www.nerdwallet.com/blog/banking/what-is-a-debit-card/>

18. C

Bank notes. Bank notes are currency. Currency is the paper or metal (coin) money that individuals and businesses use to buy and sell goods and services. Paper money and coins are issued by a country's government. Corporate bonds are bonds issued by corporations to fund operating expenses. A mutual fund is a collection of shareholders' money that is invested by professional fund managers in an assortment of different securities, such as stocks and bonds. A bond is a piece of paper (real or virtual) that says the governing body or corporation will borrow your money at a particular interest rate for a particular period of time. Municipal bonds are issued by local governments.

SOURCE: FI:059

SOURCE: SS

SOURCE: McMahon, M. (2020, July 8). *What is a bank note?* Retrieved August 5, 2020, from <http://www.wisageek.com/what-is-a-bank-note.htm>

19. A

Vacation pay. If individuals receive paid vacation, they are being reimbursed for work done. Child support income is unearned because it is court ordered. Interest and dividends are unearned because an individual is not required to work for them. Trust disbursements also qualify as unearned income because no work is done to receive them.

SOURCE: FI:061

SOURCE: EI

SOURCE: TaxBraix.com. (2020). *What is the difference between earned, portfolio, and passive income?* Retrieved August 5, 2020, from <http://www.taxbraix.com/tax-articles/difference-between-earned-portfolio-passive-income.html>

20. A

Immediate gratification. Opportunity cost is the benefit that is lost when a person decides to use scarce resources for one purpose rather than another. When a person places \$500 in the bank, the opportunity (benefit) is having money available for the future. The cost of placing money in the bank means that the person does not have the money to purchase a desired item. When a person purchases something that s/he doesn't need but really wants, the benefit to the person is immediate gratification or a sense of instant satisfaction that s/he has acquired the desired product. The opportunity cost (benefit lost) is not a higher discretionary income, lower salary or wages, or long-term dissatisfaction.

SOURCE: FI:062

SOURCE: SS

SOURCE: Kenton, W. (2020, July 1). *Opportunity cost*. Retrieved August 5, 2020, from <http://www.investopedia.com/terms/o/opportunitycost.asp>

21. C

Compound interest. Accounts that earn interest on the lump sums deposited (\$100 per year in this example) as well as the interest earned in prior years are called compound interest accounts. Simple interest is calculated on lump sums only. Present value is the current value of one or more future cash payments, discounted at some appropriate interest rate. Inflation is a rise in the general level of prices of goods and services in an economy over a period of time. While inflation has caused the price of college to increase, it is not calculated into how Sophia's account earns interest.

SOURCE: FI:062

SOURCE: SS

SOURCE: Basic-mathematics.com. (2019). *Simple vs. compound interest*. Retrieved August 5, 2020, from <http://www.basic-mathematics.com/simple-vs-compound-interest.html>

22. C

Credit users to make purchases at any time during a set period. This period is usually 30 days. At the end of that time, the person or business is expected to pay the entire amount that is due. Most credit accounts require a credit check of first-time or regular credit users. Having a credit account for a long time does not eliminate finance charges if the customer does not pay the account according to the account's requirements.

SOURCE: FI:002

SOURCE: CD

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

23. D

Opportunity costs involved. Opportunity cost is the benefit that is lost when you decide to use scarce resources for one purpose rather than for another. Examining the opportunity costs involved before deciding how scarce resources will be used will help make the best choice in the use of the resources. Work situations, production schedules, and manufacturing lead time could be secondary factors in deciding how to use scarce resources under certain conditions.

SOURCE: EC:001

SOURCE: FD

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

24. D

Character. Character refers to the reputation of the borrower in paying past debts. In this situation, the credit applicant had a known history of prompt repayment, which made the individual a good candidate for additional credit. Capital is the money a business has available. Capacity is the basic ability to earn income and to pay. Conditions are the economic circumstances involved, which aren't mentioned here.

SOURCE: FI:002

SOURCE: CD

SOURCE: Segal, T. (2020, March 13). *Five Cs of credit*. Retrieved August 5, 2020, from <https://www.investopedia.com/terms/f/five-c-credit.asp>



25. D

Doctrine of Utmost Good Faith. Business relationships are built on trust, which involves honesty and transparency. The Doctrine of Utmost Good Faith is a legal concept that requires borrower/lender or buyer/seller to be honest with one another. This means that each party does not mislead or withhold information that impacts the contractual agreement from one another. In the situation described, the lender (bank) must clearly explain the terms of the loan to the applicant (borrower). The applicant must provide honest information to the bank regarding his/her financial standing (e.g., income, debt level, etc.). The 80/20 Rule is a principle that assumes that most of the results or outcomes in any situation are affected by a few factors or causes. For example, 80% of a business's sales are generated by 20% of its customers. The Doctrine of Accounting Transparency and the Rule of Financial Stability are fictitious terms.

SOURCE: FI:063

SOURCE: CD

SOURCE: FindLaw. (2017, June 5). *The doctrine of utmost good faith*. Retrieved August 5, 2020, from <http://consumer.findlaw.com/insurance/the-doctrine-of-utmost-good-faith.html>

26. C

Retirement. People save for retirement to have money to cover their expenses when they reach retirement age and are no longer working. Carmen might be able to borrow money from her retirement fund to help cover educational expenses or to start a business, which depends on the type of fund and government regulations. Borrowing from a retirement account might involve fees and high interest rates, so it is often better to set up a fund specifically for education or to borrow money from a financial institution or angel investor to start a business. A will is a legal document that designates the ways in which an individual's estate is to be distributed upon his/her death.

SOURCE: FI:064

SOURCE: FD

SOURCE: Cussen, M. (2020, July 30). *The basics of a 401(k) retirement plan*. Retrieved August 5, 2020, from <https://www.investopedia.com/articles/retirement/08/401k-info.asp>

27. B

Meet needs and wants. Financial planning helps you meet needs and wants by setting goals and working toward them. It does not help you understand economics and finance. It can help you plan for the future, but it does not help you predict it. Financial planning does not increase your income, but it does help you make the most of it.

SOURCE: FI:065

SOURCE: FD

SOURCE: Certified Financial Planner. (2020). *Benefits of financial planning*. Retrieved August 5, 2020, from <https://www.letsmakeaplan.org/other-resources/benefits-of-financial-planning#:~:text=Creating%20a%20financial%20plan%20helps,track%20to%20meet%20your%20goals>

28. C

Impulsive spending. Choosing to buy an item at the checkout counter is a classic example of impulsive spending. Poor use of credit may or may not be involved. Choosing *not* to buy the item would illustrate financial control and would be a good example of smart shopping.

SOURCE: FI:065

SOURCE: FD

SOURCE: Curtis, J. (2020). *How retailers encourage impulse buys - Store layouts & psychological tactics*. Retrieved August 5, 2020, from <https://www.moneycrashers.com/retailers-impulse-buys-store-layouts/>

29. B

Realistic and specific. When setting goals, it's important to be as specific as possible. You should determine an amount, a purpose, and a time frame for the money you plan to save. It's also important to be realistic. You don't want to get discouraged by setting a goal you have no chance of reaching.

SOURCE: FI:065

SOURCE: FD

SOURCE: Benve, R. (2020, May 8). *How to set SMART personal financial goals*. Retrieved August 5, 2020, from <https://toughnickel.com/personal-finance/How-to-Set-Personal-Financial-Goals-Budgeting>

30. D

Variable expenses. A budget is an estimation of income and expenses. Developing a personal budget helps individuals better manage their money. Variable expenses are expenses that change from month to month, such as food, clothing, and entertainment expenses. Fixed expenses are expenses that do not change every month, such as rent and loan payments. Relational outflows and periodic investments are not budgetary categories.

SOURCE: FI:066

SOURCE: FD

SOURCE: Pant, P. (2020, May 4). *What's the difference between fixed and variable expenses?* Retrieved August 5, 2020, from <https://www.thebalance.com/what-s-the-difference-between-fixed-and-variable-expenses-453774>

31. C

Make money; future. To protect your financial well-being, it is important to both save and invest your money. Investing involves using money to make money. Investing helps you reach your long-term goals, such as having enough money on which to live after retirement. There are many investment options available. For example, you may purchase bonds and earn interest, or you may purchase stock and earn dividends. Saving involves taking a portion of your current income and putting it away to use in the future. Saving is important for reaching personal short-term goals, such as taking vacations, or for unexpected situations, such as repairing your car. People do not invest money to spend it or to contribute interest. People do not save money for current, public, or historical use.

SOURCE: FI:270

SOURCE: IN

SOURCE: The Money Advice Service. (2020). *Should I save or invest my money?* Retrieved August 5, 2020, from <https://www.moneyadvice.org.uk/en/articles/should-i-save-or-invest>

32. D

Liabilities. A liability is money that you owe to another individual or entity, such as a mortgage, credit card debt, or student loan debt. A personal asset, on the other hand, is something that you currently have that is worth money. Assets can be pure cash or items such as a house or a car. Debt is never a type of asset. Negative and positive debt refer to the types of debt that a person can have. Some types of debt are considered "better" than others, such as student loans and mortgages, whereas others are considered "bad," such as credit card debt. Annie's mortgage and student loan debt would be considered positive debt, while her credit card debt would be considered negative.

SOURCE: FI:562

SOURCE: SS

SOURCE: Money Management International. (2020). *How to create a personal balance sheet and determine your net worth*. Retrieved August 5, 2020, from <https://www.moneymanagement.org/credit-counseling/resources/how-to-create-a-personal-balance-sheet-and-determine-your-net-worth>

33. A

\$1,170. Isaac's net income is his actual take-home pay, which is equal to his gross income (his total earnings before deductions) less his withholdings (his total deductions). To calculate his net income, subtract his total deductions from his total earnings before deductions ( $\$1,425 - \$255 = \$1,170$ ).

SOURCE: FI:068

SOURCE: EI

SOURCE: Lazarony, L. (2020, February 27). *Understanding your paycheck*. Retrieved August 5, 2020, from <https://www.credit.com/personal-finance/how-to-read-your-paycheck-stub/>

34. C

Gross wages. Gross wages are the total income earned for the pay period before income taxes and other deductions are subtracted from the wages. Net pay is the amount of money that the worker receives after the taxes and other deductions have been subtracted from his/her wages. Year-to-date gross earnings are an employee's total gross pay from the beginning of the calendar year to a specific pay period. Year-to-date net income or net pay is an employee's total net pay from the beginning of the calendar year to a specific pay period.

SOURCE: FI:068

SOURCE: EI

SOURCE: Pay Stubs. (2020). *Sample pay stub*. Retrieved August 5, 2020, from <http://www.pay-stubs.com/sample-pay-stub/>

35. C

Compare the listed transactions with your receipts. Reconciling your bank statements is an important part of maintaining financial health. You should never assume that your financial statements are error-free, since mistakes can and do happen. By comparing the listed transactions with your own records, you can identify any transactions that are fraudulent or incorrect. You shouldn't pay any bills without first reconciling the statement with your own receipts. You shouldn't accept any discrepancies as your own fault, since financial institutions often make mistakes.

SOURCE: FI:069

SOURCE: SS

SOURCE: Bragg, S. (2019, October 29). *How to reconcile a bank statement*. Retrieved August 5, 2020, from <https://www.accountingtools.com/articles/how-to-reconcile-a-bank-statement.html>

36. D

You've written checks after the covered period. Your bank statement's balance would be higher than your checkbook register if you've written checks after the covered period. An uncredited account, an automatic bill deduction, or an unrecorded bank withdrawal would not make your bank statement higher. Instead, those things may make it lower than your checkbook register.

SOURCE: FI:070

SOURCE: SS

SOURCE: Bernardo, R. (2015, June 24). *How to balance a checkbook & reconcile a bank statement*. Retrieved August 5, 2020, from <https://wallethub.com/edu/how-to-balance-a-checkbook/13769/>

37. C

Manage your spending. When you have one or two credit cards, it is easier to manage your spending because you have a limited amount of purchases that you can place on each card. With fewer cards, it is easier to track your purchases and this may enable you to pay more than the minimum amount due on each card, which helps you reduce your debt more quickly. Having one or two credit cards may not enable you to buy everything that you want, but it can help you prioritize your needs and wants so you don't overspend. The credit card service provider establishes the policies for transaction fees and credit limits, regardless of the number of credit cards that you hold.

SOURCE: FI:071

SOURCE: FD

SOURCE: Bell, K., & Queen, K.H. (2014, May 15). *10 worst credit card mistakes*. Retrieved August 5, 2020, from <http://www.creditcards.com/credit-card-news/help/worst-credit-card-mistakes-6000.php>

38. D

Pay the balance in full each month. To use a credit card responsibly, an individual should only make purchases that are within his/her budget and that s/he is able to pay in full each month. It is wise to avoid large credit card balances since they can be difficult to pay and eventually incur interest. It's unwise to delay payments on a credit card and run up a large balance. Waiting until the six-month period is over will likely result in high interest charges. Using all available credit is unwise because it can negatively impact a person's credit score and create a large balance that charges interest and is difficult to pay.

SOURCE: FI:071

SOURCE: FD

SOURCE: College Board. (2020). *How to use credit cards wisely*. Retrieved August 5, 2020, from <https://bigfuture.collegeboard.org/pay-for-college/paying-your-share/how-to-use-credit-cards-wisely>

39. C

Obtain a bank loan. Banks obtain credit reports to make decisions about providing loans; therefore, it is important for individuals to periodically review the accuracy of their credit reports. By obtaining copies of their credit reports from an authorized credit agency, individuals can identify problems and take corrective action. Information presented in a credit report does not affect an individual's ability to withdraw money from a savings account, pay monthly credit card balances, or earn interest on stock holdings.

SOURCE: FI:072

SOURCE: CD

SOURCE: Irby, L. (2020, August 3). *Why a credit report is important*. Retrieved August 5, 2020, from <https://www.thebalance.com/what-is-a-credit-report-and-why-is-it-important-960448>

40. D

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

SOURCE: FI:073

SOURCE: FD

SOURCE: LifeLock. (2018, June 18). *How to help protect yourself against identity theft-Because prevention is impossible*. Retrieved August 5, 2020, from <https://www.lifelock.com/learn-identity-theft-resources-help-protect-yourself-identity-theft.html>

41. B

Late fees and interest charges. It is important to pay your credit card bills in full each month because interest charges and fees can quickly accumulate if you pay late. There are penalties and consequences of failing to pay your credit card bills on time; you will receive interest charges and/or late fees, and your credit score may decrease. It is unlikely that you would be fired from your job because you failed to pay your credit card bills on time, since employers do not have access to your credit information.

SOURCE: FI:565

SOURCE: CD

SOURCE: Credit Karma. (2020, July 24). *How late payments can affect your credit*. Retrieved August 5, 2020, from <https://www.creditkarma.com/credit-cards/i/late-payments-affect-credit-score/>

42. B

The cost of rent. When making a financial decision, Taryn can show responsibility by focusing on financial criteria to help guide her choice. She should focus on the cost of rent rather than any other aspects of the apartments so that she chooses the more financially responsible option. While appliances, the size of the bedroom, and the location are important, they will not necessarily help Taryn make the most financially responsible choice.

SOURCE: FI:783

SOURCE: FD

SOURCE: Smith, L. (2019, May 30). *The basics of financial responsibility*. Retrieved August 5, 2020, from <https://www.investopedia.com/articles/pf/09/financial-responsibility.asp>

43. A

Debt accumulation. Impulse spending, or unplanned spending, can lead to debt accumulation—which can lead to several other negative consequences. Unchecked debt can lead to a low credit score, inability to pay bills, and a poor standard of living. Impulse spending generally does not lead to a high credit score, credit card fraud, or identity theft.

SOURCE: FI:783

SOURCE: FD

SOURCE: Money Management International. (2020). *How to set and keep personal financial goals*. Retrieved August 5, 2020, from <https://www.moneymanagement.org/credit-counseling/resources/how-to-set-and-keep-personal-financial-goals>

44. A

Directing the flow of investment to encourage production. Financial markets help promote long-term economic growth by directing the flow of money efficiently into production, which increases economic growth. Financial markets do not reduce liquidity; rather, they increase it. Financial markets provide indicators of economic health, but this does not necessarily relate to long-term economic development. Financial markets also do not limit the information available to market participants; rather, they make information easier to access.

SOURCE: FI:574

SOURCE: IN

SOURCE: Gorg, H., Krieger-Boden, C., & Nunnenkamp, P. (2016, August 23). *Merits of financial development for developing countries*. Retrieved August 5, 2020, from <https://voxeu.org/article/financial-market-development-economic-development>

45. D

A retail bank. Retail banks provide a variety of financial services, including savings and checking accounts for individuals. Opening a savings account with a properly insured bank will provide Patrick with a safe place to keep his money, and he will earn interest on the money that he places in his savings account. Patrick will also be able to remove money to pay bills without incurring the financial penalties he might experience if he borrowed money from his retirement fund. Investing in the stock market involves risk; however, Patrick may earn dividends on stocks that perform well. A holding company (parent company) is a business that owns the majority of another company's shares of stock.

SOURCE: FI:075

SOURCE: SS

SOURCE: Majaski, C. (2020, April 25). *Retail banking*. Retrieved August 5, 2020, from <http://www.investopedia.com/terms/r/retailbanking.asp>

46. A

Evaluate credit union requirements and rates. Credit unions typically provide the highest interest rates on savings accounts and the lowest interest rates on loans. Commercial banks typically do not offer consumers the beneficial interest rates that credit unions can provide. Uninsured online banks sometimes offer better rates, but they also carry more risk. Brokerage firms buy and sell different types of securities and do not typically provide information about interest rates offered by banking institutions.

SOURCE: FI:075

SOURCE: FD

SOURCE: Jayakumar, A., & Millerbernd, A. (2020, June 30). *Credit union personal loans offer low rates, flexible terms*. Retrieved August 5, 2020, from <https://www.nerdwallet.com/article/loans/personal-loans/credit-union-loans-personal-often-cheaper>

47. D

Financial planner. Financial planners are professionals that specialize in helping people with personal financial matters. Financial planners can help individuals or families successfully navigate several financial situations, such as preparing to buy a home. Annie and Jeff would be best helped by a financial planner, not a stockbroker, estate planner, or an investment advisor. Stockbrokers are professionals who buy and sell stocks and other securities for clients through a stock exchange in return for a fee. Estate planners are financial advisors who specialize in helping others manage their estate (their assets) both before and after death. Investment advisors are professionals who give advice about buying and selling stocks.

SOURCE: FI:075

SOURCE: FD

SOURCE: Anspach, D. (2020, July 22). *How a financial advisor can help you meet your goals*. Retrieved August 5, 2020, from <https://www.thebalance.com/what-will-a-good-financial-planner-do-for-me-2388442>

48. B

Identify his/her own goals and skills. In order to find a job that will provide satisfaction, the job applicant must first analyze what kind of job s/he would like and what skills s/he has to offer an employer. This analysis will help the applicant narrow the choice of available jobs and make it more likely that s/he will find a job for which s/he is well suited. For some applicants, salary or advancement possibilities may take top priority, but this does not apply to everyone. Interviewing with several large companies is also not a requirement of finding a satisfactory job.

SOURCE: PD:026

SOURCE: EI

SOURCE: America's Job Exchange. (2020). *Why finding the right job fit is so important*. Retrieved August 5, 2020, from <https://www.americasjobexchange.com/career-advice/right-job-fit>

49. C

The bank's ability to meet your current financial needs. The most important consideration in selecting a banking institution is whether the bank offers you the services you currently need. While it would be helpful if the bank could help with your future financial needs, it's more urgent to utilize a bank that meets your current needs. An individual may or may not need a large number of services. A bank's profitability is not usually a large concern for consumers because government organizations typically insure consumers' bank deposits.

SOURCE: FI:076

SOURCE: FD

SOURCE: Pritchard, J. (2020, May 12). *How to choose the best bank for your needs*. Retrieved August 5, 2020, from <https://www.thebalance.com/choosing-a-bank-315757>

50. C

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

SOURCE: FI:279

SOURCE: IN

SOURCE: Smith, L. (2020, January 22). *Using time horizons to reach your investing goals*. Retrieved August 5, 2020, from <http://www.investopedia.com/articles/investing/110813/using-time-horizons-investing.asp>

51. D

Market. Valuing a stock based on how much investors are willing to pay for it is called market value. It is an economic value, not an accounting value. It also does not take into consideration intrinsic or underlying value.

SOURCE: FI:280

SOURCE: IN

SOURCE: Chen, J. (2020, March 10). *Market value*. Retrieved August 5, 2020, from <http://www.investopedia.com/terms/m/marketvalue.asp>

52. A

Dollar cost averaging. Dollar cost averaging involves investing a fixed dollar amount in a particular investment on a regular schedule, regardless of share price. With this strategy, an investor buys more when prices are low and buys less when prices are high. The example does not illustrate diversification, growth investing, or buy-and-hold.

SOURCE: FI:283

SOURCE: IN

SOURCE: Chen, J. (2020, March 16). *Dollar-cost averaging (DCA)*. Retrieved August 5, 2020, from <http://www.investopedia.com/terms/d/dollarcostaveraging.asp>

53. C

Form 8-K. Publicly traded companies are required to provide information about their finances to the Securities and Exchange Commission (SEC) every quarter. For the first three quarters of the fiscal year, publicly traded companies file 10-Q reports that focus on the company's financial situation for that period of time. At the end of the fourth quarter of each fiscal year, each company is required to file a Form 10-K, which is similar to an annual report. It includes detailed information about the company, its competitors, risks it faces, legal proceedings that the company is involved in, and audited financial statements. In addition to these standard, routine documents, a company is also required to file a Form 8-K, also known as a current report if a significant, nonrecurring event occurs before a 10-Q or 10-K is due. Events might include changes in key management, introduction of a new product, legal actions, or the acquisition of another company. Form 4 tells you when insiders are buying or selling the company's stock.

SOURCE: FI:274

SOURCE: IN

SOURCE: Kenton, W. (2020, July 23). *8-K (Form 8K)*. Retrieved August 5, 2020, from <https://www.investopedia.com/terms/1/8-k.asp>

54. D

The range of prices for the year. The numbers in a stock table's 52-week high and low column tell you the range of the prices for the year. But, the numbers simply give the range for the year. Alone they do not tell an investor if the stock is overvalued, what the best price for the stock is, or where the range should be.

SOURCE: FI:275

SOURCE: IN

SOURCE: Scott, G. (2019, June 25). *Net change*. Retrieved August 5, 2020, from <http://www.investopedia.com/terms/n/netchange.asp>

55. C

Mutual fund. Mutual funds are a good investment for people who are concerned about risk. Stock mutual funds are combinations of stocks from different corporations or agencies, usually from different industries. The idea behind mutual funds is that they aren't as risky as buying individual stocks, but they offer a good chance of receiving a return. The return Marco gets will depend on how much risk he's willing to take. A savings account is a lending investment in which you lend money to a bank for the benefit of being able to access your money at any time. Savings accounts are very low-risk, but they don't make much money. With money market accounts, you're able to access some of your money each month, but not all of it. There's a slightly higher interest rate than with a savings account. A bond is a lending opportunity offered by a government, municipality, or corporation. Bonds are low-risk, but you have to be willing to leave your money with the borrower for a long time (sometimes as much as 30 years!).

SOURCE: FI:077

SOURCE: IN

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

56. D

\$132.24. To determine the amount that has to be saved each month to have the money to buy the type of business clothes desired, locate the point on the chart where the time frame and the after-tax return intersect. Divide that amount into the total amount of money needed to obtain the monthly savings required. In this case, the time frame is one year with an after-tax return of 2% interest. The point at which they intersect is 12.1. Divide 12.1 into the \$1,600 to obtain the monthly savings needed of \$132.24.

SOURCE: FI:079

SOURCE: IN

SOURCE: Hendrix, L. (n.d.). *Achieving financial goals*. Retrieved August 5, 2020, from <https://www.uaex.edu/publications/pdf/FSFCS52.pdf>

57. D

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

SOURCE: FI:569

SOURCE: SS

SOURCE: Lake, R. (2019, November 25). *How to plan for medical expenses in retirement*. Retrieved August 5, 2020, from <https://www.investopedia.com/retirement/how-plan-medical-expenses-retirement/>

58. A

Setting aside money for retirement. The main emphasis of retirement planning early in one's career is saving money for the purpose of retirement. Near the end of one's career, adjustments help protect acquired wealth that is needed for retirement. Monthly payouts should not occur until one has reached retirement. Employees do not match employer's contributions. Some employers, however, match a percent of employee contributions to help employees meet retirement goals.

SOURCE: FI:569

SOURCE: SS

SOURCE: Kagen, J. (2020, January 24). *Retirement planning*. Retrieved August 5, 2020, from <https://www.investopedia.com/terms/r/retirement-planning.asp>

59. D

Disability. Disability insurance provides temporary and partial financial relief by issuing monetary payments to individuals in case they become injured or ill. Worker's compensation insurance is used to cover costs incurred by employees who are injured in the line of work and does not cover personal illness not caused by an employee's work environment. Health insurance is used to cover health care costs by reimbursing health care providers and does not typically offer monetary payments to ill individuals. Homeowner's insurance is used to protect a homeowner's property such as buildings and possessions from loss.

SOURCE: FI:082

SOURCE: RM

SOURCE: Forneris, J. (2020). *Insurance requirements for small businesses*. Retrieved August 5, 2020, from <http://smallbusiness.chron.com/insurance-requirements-small-businesses-3180.html>



60. B

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

SOURCE: FI:327

SOURCE: SS

SOURCE: Business Dictionary. (2020). *Quoted price*. Retrieved August 5, 2020, from <http://www.businessdictionary.com/definition/quoted-price.html>

61. C

\$787.86. To determine how much Cheryl's investment will be worth in four years, calculate the future value of her investment. The formula used to find the future value of money is  $\text{Future Value} = \text{Present Value} \times (1 + \text{Interest Rate})^{\text{Number of Years}}$ . So, the future value of Cheryl's investment is equal to  $\$700 \times (1 + 0.03)^4$ . To solve this equation, first add one to the interest rate ( $1 + 0.03 = 1.03$ ). Next, raise this sum to the fourth power, which is the same as multiplying the sum by itself four times ( $1.03^4 = 1.03 \times 1.03 \times 1.03 \times 1.03 = 1.1255$ ). Finally, multiply this product by the original amount of the investment ( $\$700 \times 1.1255 = \$787.86$ ). So, Cheryl's investment will be worth \$787.86 in four years.

SOURCE: FI:238

SOURCE: IN

SOURCE: Garrison, S. (2020). *Time value of money*. Retrieved August 5, 2020, from <https://studyfinance.com/time-value/>

62. A

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

SOURCE: FI:238

SOURCE: IN

SOURCE: Carlson, R. (2019, August 22). *How to calculate the future value of an investment*. Retrieved August 5, 2020, from <https://www.thebalancesmb.com/how-to-calculate-the-future-value-of-an-investment-393391>

63. D

Having your children take out loans for college. Rather than using their retirement savings to pay for college loans, parents should save what they can for their children's college fund, and then have their children take out loans to pay for the difference. Credit cards should not be used to pay for short-term activities unless the amount can be paid off when the credit card bill comes in. Car leases are good to use for cars that will be kept three or four years—not 10 years. The mortgage crisis occurred because many people who were unable to repay their loans were given loans at 0% down. This will make the monthly mortgage rate quite high. Generally, financial institutions want a down payment of 20%.

SOURCE: FI:568

SOURCE: CD

SOURCE: Smith, L. (2020, July 2). *Good debt vs. bad debt: An overview*. Retrieved August 5, 2020, from <http://www.investopedia.com/articles/pf/12/good-debt-bad-debt.asp>

64. B

If you're struggling to pay your bills, you should contact your creditors to work out a modified payment plan. As soon as you begin to struggle financially, it's a good idea to contact your creditors. They may be willing to work out a more realistic payment plan for you. However, if you don't contact your creditors soon enough, it may be too late. Generally, once a debt collector has been asked to collect your payment(s), it is too late to work out a new payment plan with your creditor. Debt collectors are generally prohibited from contacting you at night or at your place of employment (if your employer doesn't approve the calls). Debt collectors are usually required to adhere to requests for no further contact. Secured loans are tied to your personal assets, such as your car or home. When you fail to make your payments on a secured loan, you risk the creditor reclaiming your assets. Debts do not go away if you fail to pay them for 15 years.

SOURCE: FI:568

SOURCE: CD

SOURCE: USAGov. (2019, July 18). *Dealing with debt*. Retrieved August 5, 2020, from <https://www.usa.gov/debt>

65. D

Living trust. A living trust is a legal arrangement that can serve as an alternative to a will. It transfers control of a living person's assets to a trustee. Upon death, the assets are transferred to the beneficiary without going through probate. This saves considerable time and expense. A living will is a legal document that outlines a person's wishes for medical treatment under specific circumstances. A will provides details of how an estate should be handled upon death, but does not avoid probate. A power of attorney assigns someone the right to act on another's behalf.

SOURCE: FI:572

SOURCE: FD

SOURCE: Kaminsky, M. (2020, January). *Top three benefits of a living trust*. Retrieved August 5, 2020, from <https://www.legalzoom.com/articles/top-three-benefits-of-a-living-trust>

66. D

Determine all of your assets. Before you can make decisions about your estate, you must determine the value of all of your assets. You cannot plan for what to do with your assets if you do not know what you have. Therefore, you cannot create your will or designate power of attorney before you determine what your assets are. Giving to charity is one way to avoid estate taxes, but it is not a necessity for estate planning.

SOURCE: FI:572

SOURCE: FD

SOURCE: Asset Protection Planners. (2020). *What is estate planning and why is it important?* Retrieved August 5, 2020, from <https://www.assetprotectionplanners.com/planning/estate-planning/>

67. A

Collateral. Property that can be used as security for a loan is referred to as collateral. A deposit refers to money that may be required to be paid up front to obtain a loan. Risk refers to the possibility of failure or gain, not to assets that can be acquired. Credit refers to the loan itself or the arrangement to purchase now and pay later.

SOURCE: FI:625

SOURCE: CD

SOURCE: Kagan, J. (2020, March 9). *Collateral*. Retrieved August 5, 2020, from <https://www.investopedia.com/terms/c/collateral.asp>

68. C

Total rewards systems can supplement compensation. Compensation is pay or wages for work completed. In addition to paying salaries, many businesses offer benefits and additional savings to supplement compensation. Examples of these include the retirement benefits, free childcare, and gym membership stipend that Luisa receives from her employer. Salary is an important aspect of compensation. Job seekers might take pay cuts in situations such as Luisa's in which the benefits outweigh the difference in salary. Finally, this example is not related to dividends and interest.

SOURCE: HR:467

SOURCE: EI

SOURCE: Chron. (2020, July 27). *What are the components of a comprehensive total rewards & motivation system?* Retrieved August 5, 2020, from <https://smallbusiness.chron.com/components-comprehensive-total-rewards-motivation-system-36942.html>

69. C

Stock options. There are many different types of employee benefits. Some benefits, such as unemployment and worker's compensation, are federally required in many countries—and are more like rights than benefits. Stock options are an example of an additional benefit that some companies may choose to offer their employees to encourage high performance and attract top talent. Employees that are offered shares in a company's profits are often more motivated to perform well at work, since the company's success is directly related to their financial gains. Performance reviews are not considered a benefit, since they are an important component of almost all work environments.

SOURCE: HR:467

SOURCE: EI

SOURCE: Meier, D. (2020). *The basics of employee benefits*. Retrieved August 5, 2020, from <https://www.entrepreneur.com/article/80158>

70. A

Were written by authors who are reputable. When evaluating a source, it's important to make sure that the author is reputable, credible, and respected. Sources that are emotional instead of objective should be avoided. Propaganda is not considered a reputable source. Sources that are no more than 20 years old may or may not be reliable, depending on the subject.

SOURCE: NF:079

SOURCE: FD

SOURCE: PapersOwl. (2020, April 14). *10 tips on how to find good sources for a research paper*. Retrieved August 5, 2020, from <https://papersowl.com/blog/how-to-find-sources-for-a-research-paper>

71. B

Compare numerous different sources. By gathering and comparing information from many different news sources, you can distinguish fact from bias more easily—allowing you to learn about a topic as objectively as possible. It's not a good idea to rely on a single news source for information, since that source may be biased. Opinion columns in the newspaper are inherently biased because they are personal opinions rather than fact. It is unnecessary to distrust the national news media to learn objective information about a news topic.

SOURCE: NF:079

SOURCE: FD

SOURCE: PressBooks. (n.d.). *News as a source*. Retrieved August 5, 2020, from <https://ohiostate.pressbooks.pub/choosingsources/chapter/news-as-a-source/>

72. C

One who charges a set fee for his/her consulting services. Fee-based financial advisers are only paid for the time they spend consulting with you and are less likely to be biased toward investment products they receive commissions for. A certified financial planner is trained to give investment advice, but s/he may work for commissions that can influence the recommendations s/he makes. A certified public accountant has a great deal of knowledge about finances, but s/he may lack detailed knowledge about investment products or be biased toward specific investment products.

SOURCE: NF:079

SOURCE: FD

SOURCE: Wohlner, R. (2019, October 14). *What you need to know about fee-only financial advisers*. Retrieved August 5, 2020, from <https://www.investopedia.com/articles/investing/102014/feonly-financial-advisers-what-you-need-know.asp>

73. B

File a claim with his home insurance policy provider. Home insurance policies reimburse homeowners for the replacement cost of personal property lost due to theft or loss, such as storm damage. When the homeowner files a claim, s/he lists the replacement costs for all the lost or damaged items, and the policy provider typically issues a reimbursement by check. A home insurance policy must be purchased before damage occurs to be eligible for reimbursement. Warranties provide reimbursement for faulty devices and must be purchased prior to the event causing the damage.

SOURCE: OP:188

SOURCE: RM

SOURCE: Houselogic. (2020). *What does homeowners insurance cover?* Retrieved August 5, 2020, from <https://www.houselogic.com/finances-taxes/home-insurance/what-does-homeowners-insurance-cover/>

74. D

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

SOURCE: OP:372

SOURCE: RM

SOURCE: Gusner, P. (2020, April 21). *What is comprehensive and collision coverage?* Retrieved August 5, 2020, from <https://www.insure.com/car-insurance/comprehensive-and-collision-insurance.html>

75. A

She's looking at her alternatives from a neutral point of view. If Christine makes her decision based on logic, she compares and contrasts information, apart from personal involvement or emotion. By logically choosing a new computer, she is looking at her alternatives from a neutral point of view, instead of from her own (or someone else's) perspective. If she listens to her friends' opinions, then she is being influenced by framing, not logic. Logic involves making a decision objectively, not subjectively. Christine's decision won't be influenced by how the situation is presented, as in framing, because she is focusing on the facts.

SOURCE: PD:017

SOURCE: FD

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

76. C

Certification. Some professions, such as public accounting, require certification to work in the field. In many locations, public accountants are required take certain classes or workshops during a specific time period (e.g., annually) to keep the certification that allows them to work in the profession. Working conditions are the physical surroundings of the workplace. Benefits are the advantages or payments employees receive in addition to their wages (e.g., sick time, vacation, health insurance). Although professional development activities can reinforce or renew a person's interest in his/her career, that is the not the primary reason for participating in career development activities.

SOURCE: PD:022

SOURCE: EI

SOURCE: Meyer, T.K. (2019, December 27). *How to encourage employees to pursue professional development*. Retrieved August 5, 2020, from <https://www.businessnewsdaily.com/10092-encourage-professional-development.html#:~:text=Professional%20development%20can%20also%20involve,and%20the%20workforce%20in%20general.%20%5B>

77. B

Employment outlook. Governments often post information on their websites about employment and occupation trends. For example, the U.S. government posts the *Occupational Outlook Handbook* online, which provides information about employment trends in the United States. This information includes general job responsibilities, salary ranges, number of workers currently working in a particular field, employment outlook, etc. The Canadian government also posts employment trends in Canada (Job Futures). Individuals set their own career goals, which are not included on career-related government websites. Programming needs and testing tips are not included on career-related government websites.

SOURCE: PD:022

SOURCE: EI

SOURCE: Ryan, L. (2014, July 7). *How to follow up after a job interview*. Retrieved August 5, 2020, from <http://www.forbes.com/sites/lizryan/2014/07/07/1132/#7402f920740a>

78. B

Talents and skills. Talents and skills are aptitudes that have an effect on the type of career that would be most suitable for an individual. When considering employment opportunities, individuals should consider their talents and skills because they are more likely to do well in careers that require their specific talents and skills. Also, they usually will enjoy a career that is compatible with their talents and skills. Finding the right job often satisfies wants and needs. Health and safety are not necessarily issues to consider because most jobs in business are safe and do not adversely affect an individual's health. Individuals usually do not consider their time and money when reviewing employment opportunities.

SOURCE: PD:025

SOURCE: EI

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

79. D

Education and licensure. When selecting a financial-services provider, it is important to make sure that the provider is qualified. One way to do this is to verify the provider's credentials. In many jurisdictions, financial-services providers must pass an exam to obtain a license. These credentials verify that the provider has the necessary training and background to give financial advice, help develop financial plans, and make investments. When selecting a financial planner, his/her personal goals and living expenses are not primary considerations.

SOURCE: FI:076

SOURCE: IN

SOURCE: Frazier, L. (2017, April 26). *4 easy steps to choosing a financial advisor*. Retrieved August 5, 2020, from <https://www.forbes.com/sites/lizfrazierpeck/2017/04/26/4-easy-steps-to-choosing-a-financial-advisor/#6e0dd52e2785>

80. C

Reading the entire form to follow directions. To make a good impression, it is important to complete the job application accurately and neatly. By reviewing the form, the applicant has the opportunity to read the directions and scan the format. This step may prevent the applicant from placing information on the wrong line or in the wrong section. Application forms vary by company, so the order in which the work history, educational background, or references are completed is not important. Applicants fill out the questions that do apply to them, and write "not applicable" for the questions that do not apply to them, as they get to the questions rather than completing or identifying them initially.

SOURCE: PD:027

SOURCE: EI

SOURCE: Doyle, A. (2019, November 28). *A step-by step guide to the job application process*. Retrieved August 5, 2020, from <https://www.thebalancecareers.com/job-application-process-2061600>

81. A

Mention any mutual contacts you have. If you can, you should name someone you and the reader of your application letter both know. Of course, this isn't always possible, but it's a great way to get attention. Your letter should not be more than a page long. You shouldn't repeat everything that's on your résumé; your letter of application is intended to tell the reader things that aren't necessarily on the résumé. You should always proofread carefully, not quickly. Your letter of application is often the first impression a company gets of you, so you want it to be perfect.

SOURCE: PD:030

SOURCE: EI

SOURCE: Doyle, A. (2020, January 4). *How to write a cover letter in 5 easy steps*. Retrieved August 5, 2020, from <https://www.thebalancecareers.com/write-a-cover-letter-in-5-easy-steps-2060709>

82. A

Person hiring for the position. Since the person responsible for hiring varies from company to company, it is important to find out who has the ability to hire you and address your application letter specifically to them. A company's CEO, human resources manager, or sales department manager may or may not be the person responsible for filling a sales position.

SOURCE: PD:030

SOURCE: EI

SOURCE: Indeed. (2020, May 26). *How to write an application letter (with examples)*. Retrieved August 5, 2020, from <https://www.indeed.com/career-advice/finding-a-job/how-to-write-an-application-letter-for-a-job>

83. A

Relevant volunteer experience. Don't limit yourself to including just work or school experience on your résumé. If you learned relevant skills while volunteering, let your potential employers know! It's important to remember that you don't have to include everything about your life on your résumé. In fact, there's some information you should definitely leave out. While honesty is always the best policy, you shouldn't mention why you left a previous job on your résumé. Save that information for your interview (if the interviewer asks). Don't disclose your salary expectations, either. If an employer wants to know your salary expectations, s/he will ask for them. Otherwise, giving a number that's either too high or too low could take you out of the running. You shouldn't list your personal references on a résumé because employers usually only end up calling your references if you've advanced in the interview process. An interviewer will ask to see your references if s/he needs them. It's also important to show respect for your references and only give out their contact information when it's absolutely necessary.

SOURCE: PD:031

SOURCE: EI

SOURCE: Goodwill.org. (2020). *How to include volunteer experience on your resume*. Retrieved August 5, 2020, from <http://www.goodwill.org/blog/career-and-financial-advice/how-to-include-volunteer-experience-on-your-resume/>

84. B

Checking. A checking account is a type of bank account that allows individuals to withdraw money using checks, debit cards, or ATM cards. Checking accounts are popular because they are easy to access and there are relatively few restrictions on their use. Checking account holders are able to withdraw and deposit money into their accounts as frequently or infrequently as they would like, and there are rarely minimum balance requirements. Brian should consider opening a checking account to store his money because it would allow him to access his funds whenever he needs to. A savings account is a type of banking account that is designed to accumulate interest over time. Savings accounts are used to save money for retirement, education expenses, vacations, or virtually anything else. Since Brian is only working part-time, he probably doesn't need a savings account. A savings account would limit his ability to make withdrawals, since savings accounts are not usually linked to debit cards or personal checks. Health savings accounts and individual retirement accounts are special types of savings accounts that are designed to help individuals pay for medical expenses and retirement. Brian probably does not need either of these accounts at this point in his life.

SOURCE: PD:154

SOURCE: SS

SOURCE: Bessette, C. (2020, June 26). *What is a checking account?* Retrieved August 5, 2020, from <https://www.nerdwallet.com/blog/banking/what-is-a-checking-account/>

85. D

Line of credit. A line of credit is a flexible loan from a bank or financial institution that is similar to a credit card. Lucy could use a line of credit to get the money she needs to start her business. Debt consolidation is taking out a loan to pay off several other loans. There is no indication that Lucy has loans that need to be consolidated. A payday loan is a small, short-term loan. A wire transfer is a way to move money electronically.

SOURCE: PD:154

SOURCE: SS

SOURCE: Simpson, S. (2020, June 16). *Lines of credit: The basics.* Retrieved August 5, 2020, from <http://www.investopedia.com/articles/personal-finance/072913/basics-lines-credit.asp>

86. D

Credit grantors charge interest fees in return. One of the downsides of loan products is that loan grantors charge interest fees. Interest fees can be expensive and usually compound over time. Having a loan does not make an individual less likely to qualify for scholarships or to find a significant other. Although some employers review an applicant's credit report prior to extending an official job offer, very few employers refuse to hire someone simply because s/he has loans.

SOURCE: PD:155

SOURCE: CD

SOURCE: Pritchard, J. (2020, June 2). *Learn how loans work before you borrow.* Retrieved August 5, 2020, from <https://www.thebalance.com/how-loans-work-315449>

87. B

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

SOURCE: PD:289

SOURCE: RM

SOURCE: Spaulding, W. (2020). *Insurance regulation.* Retrieved August 5, 2020, from <https://thismatter.com/money/insurance/insurance-regulation.htm>

88. A

To cover any difference between the owed amount and the actual value of the vehicle. In addition to requiring full coverage insurance, companies providing financial loans and leases often require owners to carry an additional insurance product called gap insurance. Gap insurance covers the difference between the amount owed on the vehicle and the amount an auto insurer is willing to pay for a heavily damaged car. Damages due to vandalism, theft, or causes other than collision are covered by comprehensive insurance. Damages that are due to collision are covered by collision insurance.

SOURCE: PD:319

SOURCE: RM

SOURCE: DMV. (2020). *Car insurance coverages*. Retrieved August 5, 2020, from <https://www.dmv.org/types-of-auto-insurance-coverage.php>

89. B

It protects the owner from paying for damages to others that s/he caused. Liability coverage pays for damages or injuries to others but does not pay anything for the insured person's own losses. There are many types of auto insurance coverage that do protect a car owner from different types of losses. Damage caused by flood or fire is covered by comprehensive coverage. When a car owner causes damage to his/her own vehicle, collision coverage will reimburse the owner for any needed repairs (minus any deductible). Personal injury protection coverage pays the medical costs for the insured and other passengers in the insured's car in case of an accident.

SOURCE: PD:322

SOURCE: RM

SOURCE: Allstate. (2020, June). *What is auto liability insurance?* Retrieved August 5, 2020, from <https://www.allstate.com/tr/car-insurance/liability-car-insurance-cover.aspx>

90. A

Employers. Workers' compensation insurance covers the costs associated with an employee who is injured at work. It is purchased by any business owner or employer who has hired employees. Employees, the medical professionals, and middle managers do not necessarily purchase workers' compensation insurance.

SOURCE: PD:330

SOURCE: RM

SOURCE: Insureon. (2020). *Workers' compensation insurance*. Retrieved August 5, 2020, from <https://www.insureon.com/products/workers-compensation>

91. B

Advertising coordinator, promotions manager, vice president of marketing. A career describes a lifetime work history or long-term participation in a particular field of expertise. As individuals progress in their careers, they tend to work in the same field and gain more responsibility with each job that they hold. An example of a career progression is a person who starts working as an advertising coordinator, and then moves to a higher position, such as a promotions manager. The individual may then be promoted or go to work for another company as the vice president of marketing. The remaining listings of job titles involve job changes to different areas of expertise.

SOURCE: PD:034

SOURCE: EI

SOURCE: Set Up. (n.d.). *The marketing career path: From entry-level to chief marketing officer*. Retrieved August 5, 2020, from <https://setup.us/blog/the-marketing-career-path>



92. A  
Occupation is a broad term that describes the field you work in, whereas your career is your lifelong work journey. An occupation is a category of work, such as “educator.” Within an occupation, there may be several different types of jobs, such as teacher, principal, guidance counselor, or reading specialist. Someone with an occupation of “educator” may have a career that includes several of those job titles. Careers often span an entire lifetime and are comprised of an individual's various jobs over time. Occupations and careers are generally long-term, whereas individual jobs may be short-term. Your occupation and your career may both bring you great satisfaction and accomplishment.  
SOURCE: PD:034  
SOURCE: EI  
SOURCE: Lawrence, G. (2018, December 28). *The difference between a job, occupation & career*. Retrieved August 5, 2020, from <https://careertrend.com/info-8226168-difference-between-job-occupation-career.html>
93. D  
Must go through a broker. Buy and sell orders that are placed online must go through a broker, just like any other order. Although it might seem as if they take place immediately, they do not. They are not directly tied to the securities market. Online orders are still subject to fees, although usually at a much lower rate.  
SOURCE: PD:236  
SOURCE: IN  
SOURCE: Kennon, J. (2020, January 26). *Types of stock trades*. Retrieved August 5, 2020, from <https://www.thebalance.com/stock-trading-for-beginners-357633>
94. B  
Mutual funds don't allow intraday trades or short selling. An investor who desires to actively trade his/her investments should choose ETFs since they allow him/her to use intraday trades, limit orders, and sell short. These types of actions are not possible with mutual funds that cannot be traded during open stock exchange hours; instead, their price is set at the end of each trading day. ETFs provide more access to small industries or niche markets than mutual funds typically do. Both ETFs and mutual funds are professionally managed portfolios containing a mix of stocks, commodities, and/or bonds.  
SOURCE: PD:304  
SOURCE: IN  
SOURCE: Pareto, C. (2020, March 18). *Mutual fund vs. ETF: What's the difference?* Retrieved August 5, 2020, from <https://www.investopedia.com/articles/exchangetradedfunds/08/etf-mutual-fund-difference.asp>
95. B  
Retained earnings are reflected in the value of the stock. Companies do not always share their profits with stockholders by paying dividends. However, when a company has such a positive financial position, its retained earnings are reflected in a higher stock trading value. Stockholders are not entitled to borrow a company's assets. Stockholders are permitted to vote in stockholder meetings whether the stock has paid dividends. Stock splits do not benefit the stockholder since the entire value of his/her investment remains the same.  
SOURCE: PD:309  
SOURCE: IN  
SOURCE: Carlson, R. (2020, July 17). *What are retained earnings?* Retrieved August 5, 2020, from <https://www.thebalancesmb.com/what-are-retained-earnings-393324>
96. B  
Bonds must be repaid over time. When companies issue bonds, they essentially receive a loan from investors that must be repaid over time, whereas stocks are not repaid. Rather, stockholders receive dividends (shares in the company's profits). Bonds, rather than stocks, include interest payments. Issuing both bonds and stocks helps companies grow. Finally, bonds are generally safer than stocks.  
SOURCE: PD:313  
SOURCE: IN  
SOURCE: Hayes, A. (2020, February 22). *Bond*. Retrieved August 5, 2020, from <https://www.investopedia.com/terms/b/bond.asp>

97. D

A 45-year-old male who smokes cigarettes daily. Factors such as the insured's health, profession, gender, and age affect the amount of his/her life-insurance premium. Young, healthy people who do not engage in unhealthy lifestyle choices (e.g., cigarette smoking) pose a lower risk for premature death. Another consideration is gender. Statistics indicate that women tend to live longer than men. A 45-year-old male who is a heavy smoker is more likely to pay higher insurance premiums because of his age and smoking habit, which may lead to health problems such as lung cancer and premature death. There is not enough information provided about the other individuals to determine if they have health problems, work in dangerous professions (e.g., pilot), or engage in unhealthy habits.

SOURCE: SE:419

SOURCE: RM

SOURCE: Rose, J. (2020, July 20). *Reasons for or causes of higher life insurance premiums*. Retrieved August 5, 2020, from <https://www.goodfinancialcents.com/causes-of-higher-life-insurance-premiums/>

98. A

Walk away. When salespeople negotiate sales terms, they need to be prepared to walk away from the sale if they feel the terms will be detrimental to himself/herself or to her/his company. When negotiating, both parties need to "win"—not just one party. Salespeople want to establish long-term relationships with their clients, so they want to keep the client happy but not harm her/his company. Product benefits would have been stressed earlier in the sales process—the client understands those benefits by the time s/he is ready to negotiate. Continuing to negotiate when the outcome will damage the company tends to waste the time and effort of both parties.

SOURCE: SE:392

SOURCE: FD

SOURCE: Brudner, E. (2019, October 22). *10 essential negotiation skills for salespeople*. Retrieved August 5, 2020, from <https://blog.hubspot.com/sales/essential-negotiation-skills-for-salespeople>

99. C

Planning an expansion. A business plan is the written business guide that describes how a business will operate and achieve its objectives. It serves as a blueprint for the business's success. Because internal and external conditions change, businesses should review and update their business plans as needed. Because expansion plans often involve hiring more employees, adding new products, and building new facilities, businesses need to change their objectives and strategies in their business plans to reflect the changes. In addition, expansion often requires businesses to obtain loans from banks. Banks usually require businesses to submit their business plans as part of the loan-application process. Capabilities are summarized in the SWOT analysis. Stock values may be a strength or weakness described in the SWOT analysis. Businesses do not need to update their business plans when submitting routine (monthly) financial reports.

SOURCE: SM:007

SOURCE: EI

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

100. B

Risk management. Risk management is the planning, controlling, preventing, and limiting of losses, as well as enhancing possibilities for gain. Financial management is the routine management of a company's finances. Brainstorming is a collaborative technique for generating ideas. Marketing is a set of processes for creating, communicating, and delivering value to customers and managing customer relations.

SOURCE: SM:075

SOURCE: RM

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