

Personal Finance Final Study Guide Spring 2012

True/False

Indicate whether the statement is true or false.

Saving, Investing, Credit, and Insurance: Chapters 10 and 3, 4, and 6 in NEFE Book.

- ____ 1. Short-term needs include things such as home ownership, education of children, and retirement.
- ____ 2. For use of the saver's money, the financial institution pays the saver money called principal.
- ____ 3. A regular savings account pays much more interest than a certificate of deposit.
- ____ 4. If a depositor withdraws part of a certificate of deposit before its maturity date, there will be an early withdrawal penalty.
- ____ 5. Simple interest is interest computed on the original principal plus accumulated interest.
- ____ 6. Liquidity is a major advantage to regular savings accounts.
- ____ 7. Money market accounts are subject to are usually not insured by the FDIC.
- ____ 8. A universal default clause means that a credit card can raise your interest rate if you make one late payment.
- ____ 9. Saving and investing should take up about 30% of your income.
- ____ 10. Credit unions do not provide insurance for their depositors' savings.
- ____ 11. Money compounded quarterly earns more total interest than money compounded annually.
- ____ 12. Saving and investing are basically the same thing and help you reach the same type of goals.
- ____ 13. Time value of money refers to the relationship among time, money, and rate of interest.
- ____ 14. \$1,000 today will be worth less 30 years from now.
- ____ 15. If someone has a good work history and currently has a stable job, this would show that he has adequately met the capacity requirement of the 4 C's of credit.
- ____ 16. To learn about American companies and why they are successful, consult the *Occupational Outlook Handbook*.
- ____ 17. Vocational testing is available through college placement centers.

Chapter 6

- ____ 18. To determine your gross pay when you receive an hourly wage, you multiply your hourly rate by the number of regular hours worked.
- ____ 19. Overtime wages are usually calculated at twice the regular hourly rate.
- ____ 20. Social security tax is an example of a required deduction from your paycheck.
- ____ 21. Regular wages or salary plus overtime wages equals gross pay.
- ____ 22. Federal tax is an optional deduction from your paycheck.
- ____ 23. Your written consent must be obtained for deductions, both required and optional, to be withheld from your paycheck.

Chapter 7

- ____ 24. Taxes that are redistributed by the government directly or indirectly benefit all citizens.
- ____ 25. Everyone pays the same amount in taxes.
- ____ 26. The largest source of government revenue is income taxes.
- ____ 27. Use of a tax preparer absolves you of any responsibility for an error on your tax return.
- ____ 28. The sole function of the Internal Revenue Service is the collection of income taxes.
- ____ 29. The power to levy taxes rests with the Congress of the United States.
- ____ 30. Our income tax system is based on voluntary compliance.

Chapter 8

- ____ 31. A warranty must always be explicit and in writing.
- ____ 32. A negotiable instrument is a written promise to pay money upon demand of the holder.
- ____ 33. It is your responsibility as a consumer to keep a copy of each agreement you sign in a safe place for future reference.
- ____ 34. An example of a contract that must be in writing is one that cannot be performed in a year.
- ____ 35. If you co-sign a loan and the other signer is unable to repay the debt, you aren't legally responsible.
- ____ 36. It is not a good idea to take photographs of your valuables because other people might see the photos.
- ____ 37. When your debts are greater than your assets, you are said to be solvent, or in a favorable credit position.
- ____ 38. Keeping good personal records will not help your long-range financial planning.
- ____ 39. An example of a variable expense is the amount you spend on groceries, which can be changed relatively easily.
- ____ 40. An organized plan whereby you match expected income with expected outflow is called a net worth statement.

Chapter 9

- ____ 41. Banks usually charge fees for processing overdrafts.
- ____ 42. It is a good practice to postdate checks so they can be cashed on a future date.
- ____ 43. The payee is the person authorized to write checks on an account.
- ____ 44. When writing the numeric amount on a check, raise the cents above the dollars and use a decimal point.
- ____ 45. When filling in the written amount on a check, use the word *and* to separate dollar and cent amounts.
- ____ 46. It is a good idea to use a pencil when writing checks so you can erase any mistakes.
- ____ 47. A check is a negotiable instrument because it promises to pay a sum on a certain date.
- ____ 48. To complete a deposit slip, list checks by their preprinted or handwritten

check numbers.

- ___ 49. Checks written are added to the balance in the checkbook register.
- ___ 50. If your name is written incorrectly as payee on a check, endorse the check by first writing your name correctly.
- ___ 51. When mailing a deposit to your bank, it is wise to use a restrictive endorsement.
- ___ 52. An interest-bearing account pays interest to the depositor when an average minimum monthly balance is maintained.
- ___ 53. When you make a mistake in writing a check, you should tear the check up and throw it away.
- ___ 54. A check has "bounced" when an overdraft occurs and the check has been returned.
- ___ 55. The FDIC is a federal insurance corporation that insures deposits up to \$100,000 per account holder.
- ___ 56. Checking advertised as "free" must not have hidden charges or conditions.
- ___ 57. You will pay the same premium for automobile insurance as your classmates.
- ___ 58. The purpose of insurance is to protect against financial loss.
- ___ 59. When you file an insurance claim for damages done to your car after an automobile accident, you decide what the costs will be to repair your car.

Multiple Choice

Identify the choice that best completes the statement or answers the question.

Saving, Investing, Credit and Insurance: Chapters 10 and 3, 4, and 6 in NEFE Book.

- ___ 60. You will receive the greatest gain on your principal if interest is compounded

a.	Quarterly	c.	Daily
b.	Annually	d.	Semiannually

- ___ 61. When items are bought on credit and paid for over a long period of time, the cost to the buyer ___.

a.	is the same as paying cash	c.	is more than if the items were bought with cash.
b.	is less than if the items were bought with cash	d.	none of these

- ___ 62. The maximum amount you can charge on a credit card is called the ___.

a.	capacity	c.	credit limit
b.	collateral for the card	d.	credit ratio

- ___ 63. Which of the following is not a long-term need?

a.	New car	c.	Child's college education
b.	Home ownership	d.	Investment plans

- ___ 64. What would be the value of a \$1,000 investment in a Certificate of Deposit with an APY of 5.75% for 9 years using the simple interest formula ($P * R * T$)?

a.	\$51.75	c.	\$5,175.00
b.	\$517.50	d.	\$1,517.50

- ___ 65. The time value of money can best be explained using which one of the following concepts?

a.	The risk to return relationship	c.	The Rule of 72
b.	The dynamics of compounding	d.	The "pay yourself first" philosophy

- ___ 66. A method to make regular saving easier is ___.

a.	Savings accounts	c.	Automatic payroll deduction
b.	Certificates of deposit	d.	Money market accounts

- ___ 67. According to the 70-20-10 rule, you would want your monthly car payment to be lower than ___?___ if your monthly income is \$3,000 per month.

a.	\$600	c.	\$300
b.	\$450	d.	\$150

68. Who was so impressed with the concept of compounding that he called compounding “the most powerful force in the universe”?

a.	Benjamin Franklin	c.	Albert Einstein
b.	Mark Twain	d.	Thomas Jefferson

69. According to the Rule of 72, if you wanted to double your \$12,000 investment in 18 years you would need what interest rate?

a.	4%	c.	16.67%
b.	6%	d.	25%

70. Excluding a mortgage payment, what is the maximum percentage of take-home pay that should go toward loan payments?

a.	5 percent	c.	15 percent
b.	10 percent	d.	20 percent

71. Of the following, which is the best strategy to reduce excessive debt?

a.	Make regular minimum payments on each loan and credit card until the balances are paid	c.	pay off loans with the highest interest rate first
b.	use one large loan to pay off all of the other debts	d.	file Chapter 7 bankruptcy

72. Which of the following can impact your credit rating?

a.	Borrowing money from a friend to buy lunch	c.	Making a late credit card payment
b.	Paying cash for a used car	d.	Living with your parents after college and not paying them any rent

73. The basic rule of a risk-to-return relationship is that the

a.	higher the risk, the lower the return rate	c.	higher the risk, the higher the return rate
b.	lower the risk, the higher the return rate	d.	the two are not related

74. Using the compound formula, $FV = P * (1 + r)^n$ or the Future Value calculator at dinkytown.net, what would be the value of an investment of \$5,000 at 7% interest in 5 years?

a.	\$6,750.00	c.	\$7,675.76
b.	\$7,012.76	d.	26,750.00

75. Which of these terms does not apply to today's technological era?

a.	Information age	c.	Electronic era
b.	Agricultural	d.	Global village

76. Which of these is considered a developing nation?

a.	Canada	c.	Brazil
b.	France	d.	Germany

77. Which of these provides in-depth job descriptions and information about job opportunities nationwide?

a.	<i>DOT</i>
b.	<i>Monthly Labor Review</i>
c.	<i>Occupational Outlook Handbook</i>
d.	<i>Standard & Poor's Register of Corporations, Directors and Executives, United States and Canada</i>

78. Which of these is not considered a job benefit?

a.	Sick pay	c.	Health insurance
b.	Vacation time	d.	Salary
Chapter 6			

79. Training employees to be efficient in more than one skill is called _____.

a.	Flextime	c.	Job rotation
b.	Job sharing	d.	Overtime

80. The right of a person hired first to be fired last is called _____.

a.	A fringe benefit	c.	Seniority
b.	Sick leave	d.	A work incentive

81. When employers and union officials cannot agree on the terms of a new labor

contract, the result is often _____.

a.	A violation	c.	Overtime
b.	A strike	d.	Extra pay

82. Which of the following workplace trends allows flexibility for employees in work hours?

a.	Job rotation	c.	Family leave
b.	Job sharing	d.	Flextime

83. Which of the following is not a required employee deduction?

a.	Overtime pay	c.	Federal taxes
b.	State taxes	d.	Social security
Chapter 7			

84. The income tax is an example of which type of tax?

a.	Progressive	c.	Regressive
b.	Proportional	d.	Excise

85. The sales tax is an example of which type of tax?

a.	Progressive	c.	Regressive
b.	Proportional	d.	Excise

86. The property tax is an example of which type of tax?

a.	Progressive	c.	Regressive
b.	Proportional	d.	Excise

87. As taxable income increases, income tax rates _____.

a.	Increase	c.	Stay the same
b.	Decrease	d.	Could go either way

88. What is the income upon which your tax is computed by using a tax table?

a.	Adjusted gross income	c.	Gross income
b.	Taxable income	d.	Net income

89. You must file your federal income tax return no later than _____.

a.	December 31	c.	January 31
b.	January 1	d.	April 15

90. Which of the following is not an income tax filing status?

a.	Single person	c.	Divorced person
b.	Married person filing joint return	d.	Head of household

91. An examination of tax returns by the IRS is called _____.

a.	Tax evasion	c.	A tax bracket
b.	An audit	d.	An itemization

92. Which of the following people must sign a tax return?

a.	The taxpayer		
b.	The taxpayer's spouse		
c.	The person who prepared the tax return		
d.	All of these (as the situation requires)		

93. Which of the following is not part of gross income?

a.	Tips	c.	Child support
b.	Interest	d.	Dividends
Chapter 8			

94. Which of the following defines a budget?

a.	A plan to match spending with saving		
b.	A plan to increase income		
c.	A plan to match expected income with expected outflow		
d.	Something that will decrease your wants and needs		

95. Which of the following is not an element of an enforceable contract?

a.	Agreement	c.	Contractual capacity
b.	Consideration	d.	Net worth

96. Shown on your net worth statement are debts you owe to others, known as _____.

a.	Assets	c.	Disposable income
b.	Liabilities	d.	Collateral

97. A personal property inventory is most commonly used for what purpose?

a.		As proof of loss in the event of fire or theft
b.		In the event of a tax audit
c.		When applying for credit
d.		In deciding which items to buy

98. A mortgage or lease is an example of a(n) _____.

a.	Implied contract	c.	Oral contract
b.	Express contract	d.	Warranty or guarantee
Chapter 9			

99. A financial institution that offers all types of services is called a _____.

a.	Private bank	c.	Full-service bank
b.	Federal bank	d.	State bank

100. Which of the following is not a type of checking account?

a.	Savings account	c.	Standard account
b.	Share account	d.	Interest-bearing account

101. A checking account with which you pay a fee for each check processed is a(n) _____.

a.	Share draft account	c.	Interest account
b.	Standard account	d.	Special account

102. Which of the following is a disadvantage of an interest-bearing account?

a.	It earns no interest.		
b.	The minimum monthly balance requirement may be high.		
c.	A fee is charged for each check processed.		
d.	It is available only to senior citizens.		

103. A check written by the bank on its own funds is a(n) _____.

a.	Certified check	c.	Money order
b.	Cashier's check	d.	Electronic funds transfer

104. An automated teller machine can be used to do which of the following?

a.	Request a stop payment on a check	c.	Make a loan payment
b.	Reconcile an account	d.	Purchase a cashier's check

105. Which of the following should not be kept in a safe deposit box?

a.	Gold coins	c.	Cash
b.	Important documents	d.	Jewelry and valuables

106. Writing the words "For Deposit Only" on the back of a check before your name constitutes which of the following?

a.	Blank endorsement	c.	Restrictive endorsement
b.	Special endorsement	d.	Joint endorsement

107. An endorsement in full is also called a _____.

a.	Blank endorsement	c.	Restrictive endorsement
b.	Special endorsement	d.	Joint endorsement

108. The depositor's record of checking account transactions is known as a _____.

a.	Canceled check	c.	Check
b.	Checkbook register	d.	Stop payment

109. What automobile coverage reimburses a car owner if the car is stolen?

a.	Deductible	c.	Comprehensive
b.	Collision	d.	Liability

110. What do you pay out-of-pocket on an insurance claim?

a.	Deductible	c.	Premium
b.	Liability	d.	Term

Matching
Chapters 10, and 3 & 4 in the NEFE book.

For each description listed below, find the corresponding term.

a.	Discretionary income	j.	Equifax
b.	grace period	k.	diversification
c.	Liquidity	l.	Certificate of deposit
d.	Rule of 72	m.	Securities
e.	Long-term needs	n.	Money market mutual funds
f.	Time Value of Money	o.	Debt

g.	FDIC	p.	Interest
h.	Annual percentage rate (APR)	q.	Collateral
i.	Compound interest	r.	NCUA

- ___ 111. Used to determine how long it takes for an investment to double.
- ___ 112. The process of earning interest on interest.
- ___ 113. A rate that tells you the cost of a loan per year as a percentage of the amount borrowed.
- ___ 114. A company that people can receive a free credit report from once a year and considered to be one of the Titans of Credit.
- ___ 115. A period of time you have in which you can pay off your purchases without being charged interest when using a credit card.
- ___ 116. Income left over after the bills have been paid.
- ___ 117. The quality of being easily converted to cash.
- ___ 118. The mathematical relationship between time, money, a rate of return, and earnings growth.
- ___ 119. Spreading your investments among different types of savings and investments.
- ___ 120. Insurance that covers deposits in commercial banks.
- ___ 121. Amount you owe with an obligation to pay back.
- ___ 122. Payment or rent you make for the use of another's money.
- ___ 123. Something of value that lenders can repossess if you are unable to repay a loan as promised.
- ___ 124. A type of savings plan available through broker or investment firms, which is not covered by the FDIC.
- ___ 125. This insures deposits kept in credit unions.

Chapter 6

For each description listed below, find the corresponding term.

a.	Job sharing	h.	Collective bargaining
b.	Industrial unions	i.	Gross pay
c.	Lobbying	j.	Lawyers
d.	Doctors	k.	Overtime
e.	Labor unions	l.	Job rotation
f.	New member recruitment	m.	Net pay
g.	Craft unions	n.	Bonus

- ___ 126. Groups of workers joined together for a common cause.
- ___ 127. The main purpose of labor unions.
- ___ 128. Membership limited to those in a trade, such as carpenters.
- ___ 129. Membership of skilled, semiskilled, or unskilled workers.
- ___ 130. Those who can belong to the American Medical Association.
- ___ 131. A technique used to train employees in new areas.
- ___ 132. A motivation strategy in which two people share what used to be one job.
- ___ 133. Efforts in support of legislation that would benefit an organization.
- ___ 134. Total agreed-upon pay, before deductions are taken.
- ___ 135. Hours worked in addition to regular hours.

Chapter 8

For each description listed below, find the corresponding term.

a.	Void	h.	Co-signer
b.	Maker	i.	Insolvent
c.	Competent parties	j.	Promissory note
d.	Explicit	k.	Implied
e.	Legally collectible	l.	Contract
f.	Voidable	m.	Solvent
g.	Payee	n.	Warranty

- ___ 136. A warranty that is assumed to exist.
- ___ 137. The meaning of the term *negotiable instrument*.
- ___ 138. One who agrees to pay a note if the maker does not pay.
- ___ 139. The person who creates and signs a note.
- ___ 140. The person to whom a note is made payable.
- ___ 141. A written promise to pay on a specified date.
- ___ 142. A person is ___ if he or she can pay all bills as they are due.
- ___ 143. Contracts that contain an element that could make them unenforceable.
- ___ 144. Contracts that are missing one or more essential ingredients.
- ___ 145. Persons who are legally able to give sane and intelligent consent and enter into contracts.

Chapter 9

For each description listed below, find the corresponding term.

a.	Payee	h.	Canceled check
b.	Endorse	i.	Reconciliation
c.	Stop payment	j.	Joint account
d.	Checking account	k.	Floating a check
e.	Postdated check	l.	Checkbook register
f.	Maker, drawer	m.	Currency
g.	Overdraft	n.	Certified check

- ___ 146. A banking service wherein the customer deposits funds in an account and writes checks to withdraw money.
- ___ 147. The process of matching your checkbook register with the bank statement.
- ___ 148. Writing a check on insufficient funds and trying to make a deposit before the check is cashed.
- ___ 149. Another term for a survivorship account.
- ___ 150. A check written with a future date.
- ___ 151. The person to whom a check is made payable.
- ___ 152. To sign your name on the back of a check.
- ___ 153. The person authorized to write checks on an account.
- ___ 154. Dollar bills being deposited to an account.
- ___ 155. A check that bears the bank's stamp, indicating it has cleared.

Personal Finance Final Study Guide Spring 2012

Answer Section

TRUE/FALSE

- | | | |
|-----|--------|--------|
| 1. | ANS: F | PTS: 1 |
| 2. | ANS: F | PTS: 1 |
| 3. | ANS: F | PTS: 1 |
| 4. | ANS: T | PTS: 1 |
| 5. | ANS: F | PTS: 1 |
| 6. | ANS: T | PTS: 1 |
| 7. | ANS: T | PTS: 1 |
| 8. | ANS: T | PTS: 1 |
| 9. | ANS: F | PTS: 1 |
| 10. | ANS: F | PTS: 1 |
| 11. | ANS: T | PTS: 1 |
| 12. | ANS: F | PTS: 1 |
| 13. | ANS: T | PTS: 1 |
| 14. | ANS: T | PTS: 1 |
| 15. | ANS: T | PTS: 1 |
| 16. | ANS: F | PTS: 1 |
| 17. | ANS: T | PTS: 1 |
| 18. | ANS: T | PTS: 1 |
| 19. | ANS: F | PTS: 1 |
| 20. | ANS: T | PTS: 1 |

21.	ANS: T	PTS: 1
22.	ANS: F	PTS: 1
23.	ANS: F	PTS: 1
24.	ANS: T	PTS: 1
25.	ANS: F	PTS: 1
26.	ANS: T	PTS: 1
27.	ANS: F	PTS: 1
28.	ANS: F	PTS: 1
29.	ANS: T	PTS: 1
30.	ANS: T	PTS: 1
31.	ANS: F	PTS: 1
32.	ANS: T	PTS: 1
33.	ANS: T	PTS: 1
34.	ANS: T	PTS: 1
35.	ANS: F	PTS: 1
36.	ANS: F	PTS: 1
37.	ANS: F	PTS: 1
38.	ANS: F	PTS: 1
39.	ANS: T	PTS: 1
40.	ANS: F	PTS: 1
41.	ANS: T	PTS: 1
42.	ANS: F	PTS: 1
43.	ANS: F	PTS: 1
44.	ANS: T	PTS: 1
45.	ANS: T	PTS: 1
46.	ANS: F	PTS: 1
47.	ANS: T	PTS: 1
48.	ANS: F	PTS: 1
49.	ANS: F	PTS: 1
50.	ANS: F	PTS: 1
51.	ANS: T	PTS: 1
52.	ANS: T	PTS: 1
53.	ANS: F	PTS: 1
54.	ANS: T	PTS: 1
55.	ANS: T	PTS: 1
56.	ANS: T	PTS: 1
57.	ANS: F	PTS: 1
58.	ANS: T	PTS: 1
59.	ANS: F	PTS: 1

MULTIPLE CHOICE

60.	ANS: C	PTS: 1
61.	ANS: C	PTS: 1
62.	ANS: C	PTS: 1
63.	ANS: A	PTS: 1
64.	ANS: D	PTS: 1
65.	ANS: B	PTS: 1
66.	ANS: C	PTS: 1
67.	ANS: C	PTS: 1
68.	ANS: C	PTS: 1
69.	ANS: A	PTS: 1
70.	ANS: B	PTS: 1
71.	ANS: C	PTS: 1
72.	ANS: C	PTS: 1
73.	ANS: C	PTS: 1
74.	ANS: B	PTS: 1
75.	ANS: B	PTS: 1
76.	ANS: C	PTS: 1
77.	ANS: C	PTS: 1
78.	ANS: D	PTS: 1
79.	ANS: C	PTS: 1
80.	ANS: C	PTS: 1
81.	ANS: B	PTS: 1
82.	ANS: D	PTS: 1
83.	ANS: A	PTS: 1
84.	ANS: A	PTS: 1
85.	ANS: C	PTS: 1
86.	ANS: B	PTS: 1
87.	ANS: A	PTS: 1

88.	ANS: B	PTS: 1
89.	ANS: D	PTS: 1
90.	ANS: C	PTS: 1
91.	ANS: B	PTS: 1
92.	ANS: D	PTS: 1
93.	ANS: C	PTS: 1
94.	ANS: C	PTS: 1
95.	ANS: D	PTS: 1
96.	ANS: B	PTS: 1
97.	ANS: A	PTS: 1
98.	ANS: B	PTS: 1
99.	ANS: C	PTS: 1
100.	ANS: A	PTS: 1
101.	ANS: D	PTS: 1
102.	ANS: B	PTS: 1
103.	ANS: B	PTS: 1
104.	ANS: C	PTS: 1
105.	ANS: C	PTS: 1
106.	ANS: C	PTS: 1
107.	ANS: B	PTS: 1
108.	ANS: B	PTS: 1
109.	ANS: C	PTS: 1
110.	ANS: A	PTS: 1

MATCHING

111.	ANS: D	PTS: 1
112.	ANS: I	PTS: 1
113.	ANS: H	PTS: 1
114.	ANS: J	PTS: 1
115.	ANS: B	PTS: 1
116.	ANS: A	PTS: 1
117.	ANS: C	PTS: 1
118.	ANS: F	PTS: 1
119.	ANS: K	PTS: 1
120.	ANS: G	PTS: 1
121.	ANS: O	PTS: 1
122.	ANS: P	PTS: 1
123.	ANS: Q	PTS: 1
124.	ANS: N	PTS: 1
125.	ANS: R	PTS: 1
126.	ANS: E	PTS: 1
127.	ANS: H	PTS: 1
128.	ANS: G	PTS: 1
129.	ANS: B	PTS: 1
130.	ANS: D	PTS: 1
131.	ANS: L	PTS: 1
132.	ANS: A	PTS: 1
133.	ANS: C	PTS: 1
134.	ANS: I	PTS: 1
135.	ANS: K	PTS: 1
136.	ANS: K	PTS: 1
137.	ANS: E	PTS: 1
138.	ANS: H	PTS: 1
139.	ANS: B	PTS: 1
140.	ANS: G	PTS: 1
141.	ANS: J	PTS: 1
142.	ANS: M	PTS: 1
143.	ANS: F	PTS: 1
144.	ANS: A	PTS: 1
145.	ANS: C	PTS: 1
146.	ANS: D	PTS: 1
147.	ANS: I	PTS: 1
148.	ANS: K	PTS: 1
149.	ANS: J	PTS: 1
150.	ANS: E	PTS: 1
151.	ANS: A	PTS: 1

152.	ANS: B	PTS: 1
153.	ANS: F	PTS: 1
154.	ANS: M	PTS: 1
155.	ANS: H	PTS: 1