1. For her new job, Tasha has been asked to write a report. She has found a website with information regarding her topic. Which of the following would help her identify whether the information on this site is accurate:
   A. A professional-looking website design
   B. A date of modification less than one year old
   C. A table of contents
   D. A bibliography

2. It is important to protect against identity theft to prevent unauthorized individuals from
   A. improving your credit rating.
   B. trying to sell you a product.
   C. sending you information online.
   D. obtaining credit in your name.

3. After Marco reads an article for class, he recaps the content of the article in his own words. Marco is __________ to help himself focus on the important information in the article.
   A. creating a timeline
   B. reviewing vocabulary
   C. summarizing
   D. making a diagram

4. Fluctuations in interest rates often have an impact on the use of
   A. tax incentives.
   B. rebates.
   C. discounts.
   D. credit.

5. Which of the following most accurately describes the relationship between risk and return:
   A. For the potential of a low return, you usually accept a high risk.
   B. For the potential of a high return, you usually accept a low risk.
   C. For the potential of a low return, you usually accept no risk.
   D. For the potential of a high return, you usually accept a high risk.

6. In relation to career success, it is important for individuals to assess their strengths and weaknesses so they can
   A. eliminate conflict.
   B. apply their talents where they are best used.
   C. improve their relationships with friends.
   D. change their personalities.

7. Which of the following businesses is the best example of an entrepreneurial venture:
   A. A veterinarian invents and sells a device to prevent horse water troughs from freezing.
   B. A pumpkin farm offers pumpkin carving and costume contests to create more interest.
   C. A juice bar decides to purchase trucks to sell juice on location during special events.
   D. A bakery creates a "cretzel," a cross between a crescent and a pretzel, as a new product.
8. Lee is a high school student interested in becoming an entrepreneur. What personal skills and interests should she have to be successful as an entrepreneur?
   A. A dislike for taking risks
   B. A preference for stability
   C. A passion to solve issues
   D. A need for guidance

9. Aria wants to invest her money, but she doesn't want to take much risk. She also wants to be able to access her money at any time. Which type of investment should she consider?
   A. Collectibles
   B. A certificate of deposit (CD)
   C. A savings account
   D. Stocks

10. Which of the following is a benefit of credit cards:
    A. No impact on your ability to receive loans
    B. No interest fees on unpaid credit balances
    C. The ability to spend unlimited money
    D. The convenience of buying now and paying later

11. What type of mortgage should Cynthia get if she wants her mortgage payment to stay the same every month?
    A. Fixed-rate
    B. 30-year
    C. Adjustable-rate
    D. 15-year

12. Ryan is a college student who is interested in becoming a teacher. Every Tuesday afternoon, he spends his free time tutoring second-grade students in reading and math at a local elementary school. What technique is Ryan using to obtain work experience?
    A. Internship
    B. Informational interview
    C. Volunteering
    D. Job shadowing

13. A business's new personal computer came with the salesperson's promise of free service and repairs. This promise is an example of an
    A. express warranty.
    B. express guarantee.
    C. implied warranty.
    D. implied guarantee.

14. Every pay period, Amanda places $100 from her paycheck into a savings account that earns 4.5% interest. In this situation, money functions as a
    A. store of value.
    B. medium of exchange.
    C. form of barter.
    D. measure of income.
15. Joel works as a car mechanic. He is paid the same amount of money each month regardless of the exact number of hours he works. Anna works at a day care and is paid per hour. In this example, Joel is earning _________ and Anna is earning _________.
   A. a salary; wages
   B. dividends; a salary
   C. wages; a salary
   D. interest; wages

16. Putting $100 in a savings account today and earning 4% interest over the next year illustrates the concept of
   A. the time value of money.
   B. inflationary impact.
   C. principal modification.
   D. opportunity cost.

17. Which of the following is the opportunity cost for a person who decides to place $500 in the bank rather than purchase something they really want but do not need:
   A. Long-term dissatisfaction
   B. Immediate gratification
   C. Lower salary or wages
   D. Higher discretionary income

18. When an item is purchased, money is exchanged for the right to
   A. pay for the item.
   B. own the item.
   C. file a claim.
   D. use credit.

19. Saving the money that you might ordinarily spend each day on a cup of coffee and a doughnut
   A. is the sacrifice you must make for future financial security.
   B. will not result in significant savings.
   C. is not a practical step in reaching your financial goals.
   D. can help you achieve larger financial goals.

20. Which of the following is a measurable financial goal:
   A. I want to pay off some of my credit card debt soon.
   B. I'm thinking of buying a house next year.
   C. I'd like to spend less money on clothing.
   D. I want to save $3,000 for a new truck.

21. Which of the following is an accurate statement regarding the setting of personal financial goals:
   A. Debt must be eliminated before people can determine other personal financial goals.
   B. People need to set their goals very high, or they won't be motivated to achieve them.
   C. Financial goals cannot be realistically set until a personal budget has been established.
   D. Wealthy people do not need to make financial plans because they have vast income sources.
22. What can you do to prepare for unexpected setbacks to reaching financial goals?
   A. Avoid taking risks in your career.
   B. Reduce any unnecessary expenses.
   C. Put off bills and short-term payments.
   D. Refinance your mortgage.

23. Which of the following is a strategy to help with tracking expenses:
   A. Estimate fixed expenses.
   B. Keep receipts.
   C. Only use cash payments.
   D. Spend as little as possible.

24. Which of the following best explains how income taxes reduce your net income:
   A. They are subtracted from gross income.
   B. They are subtracted from net income.
   C. They are calculated based on net income.
   D. You must save money to pay for them.

25. 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 net income
   B. gross wages
   C. net pay
   D. year-to-date gross earnings

26. Your last pay stub had a year-to-date gross pay amount of $2,438.23. Your next pay stub shows a gross pay of $542.13, taxes paid of $106.32, and a net pay of $379.42. What new year-to-date gross pay amount will be reflected on your new pay stub?
   A. $3,359.78
   B. $2,817.65
   C. $2,980.36
   D. $3,086.68

27. Which of the following is an example of a person using credit in a responsible manner:
   A. Maintaining a low credit rating
   B. Seeking counseling to reduce unmanageable debt
   C. Using two or more high-interest credit cards
   D. Paying credit card balances on time

28. The wise use of credit involves comparing the various offers of credit to determine the
   A. total costs.
   B. yearly taxes.
   C. affiliated banks.
   D. company sponsors.
29. Which of the following is true regarding the use of credit cards:
   A. You only need to pay the minimum amount to avoid paying interest.
   B. Credit cards have no benefit and therefore should be avoided.
   C. Your credit history does not matter if you do not have a credit card.
   D. Credit cards allow you to spend money that you might not have.

30. Late fees, interest charges, and difficulty qualifying for loans are all possible results of
   A. using credit poorly.
   B. going to college.
   C. dropping out of school.
   D. paying credit card bills.

31. What is the best way for a college student with a credit card charging 2.5% annual interest to establish a good
    credit history and avoid paying additional interest?
   A. Use the credit card for all purchases and pay the minimum payment each month
   B. Use the credit card to pay for routine expenses and pay the balance in full each month
   C. Use the credit card to pay large tuition bills and make the minimum monthly payments
   D. Transfer a student loan that will charge 4% interest upon graduation to the credit card

32. The primary reason that people review their personal credit reports is to
   A. eliminate the risk of identity theft.
   B. verify that the credit agencies have correct information.
   C. ensure that they obtain bank loans.
   D. change or update their credit ratings.

33. Individuals have the right to provide additional information about their income status and payment history when
   A. opening a checking account.
   B. estimating their tax liability.
   C. hiring a financial planner.
   D. validating their credit history.

34. Why do many financial advisors recommend that you validate your financial credit history annually?
   A. The return on your stock investments is based on your financial credit history.
   B. Most universities review your financial credit report before accepting you as a student.
   C. Information in your credit report appears in your social networking profiles.
   D. Information in your credit report can impact how much you pay to borrow money.

35. Eito's credit report shows that his credit score has dropped over the past nine months. What is the most
    important thing Eito can do to improve his credit score?
   A. Close all of his older credit cards
   B. Pay his bills by the date they are due
   C. Increase the amount of money owed
   D. Apply for another credit card
36. Who is responsible for verifying that all the information reported on a consumer's credit report accurately reflects their personal transactions?
   A. Credit bureaus
   B. Organizations that have extended credit
   C. Organizations reporting consumer payments
   D. Consumers

37. Paula asks herself questions such as "What do I want to get out of this article?" and "What are the main points of this article?" whenever she reads an article while conducting research. Paula is using __________ techniques.
   A. professional editing
   B. prospecting
   C. active reading
   D. summary close

38. Which of the following is a possible consequence of having one's identity stolen:
   A. Damage to credit history
   B. Need for new identity
   C. Homelessness
   D. Unemployment

39. What can you do to prevent identity thieves from getting your personal information?
   A. When borrowing money, insist on a fixed-rate loan.
   B. Review your credit report every five years.
   C. Shred or tear up important financial documents.
   D. Pay the entire balance on credit cards monthly.

40. Which of the following is typically an effective way to protect yourself from mail identity theft:
   A. Wait to pick up your credit card statements and other mail until your mailbox is full.
   B. Include your return address on all of your outgoing mail.
   C. Apply for as many credit cards as possible.
   D. Arrange for the post office to hold your mail while you're out of town on vacation.

41. Amelia receives an email from a bank telling her that she needs to provide her account information as soon as possible or her accounts will be closed. What should Amelia do?
   A. Reply to the email asking for more information
   B. Call the bank and check that the email is legitimate
   C. Provide her information
   D. Switch to a different bank

42. One of the best ways to protect yourself from online identity theft is to
   A. review your credit report once every three years.
   B. avoid firewalls and virus-detection software.
   C. create passwords that are hard to guess.
   D. always use public Wi-Fi networks.
43. Which type of financial service provider takes deposits and pays interest to the depositors?
   A. Investment bank
   B. Insurance provider
   C. Commercial bank
   D. Brokerage firm

44. Mr. Daly bought a vacation cottage on lakefront property. What type of investment did Mr. Daly purchase?
   A. Ownership
   B. Securities
   C. Stock
   D. Escrow

45. To find a career that's best suited for your strengths, it's important to be __________ about your strengths and weaknesses.
   A. hopeful
   B. general
   C. realistic
   D. competitive

46. Which of the following is an example of an ownership investment:
   A. Stocks
   B. Certificates of deposit (CDs)
   C. Savings accounts
   D. Money market accounts

47. Since Logan is willing to accept a moderate or high risk in exchange for the potential of a moderate or high return, he should invest his funds in
   A. stocks.
   B. savings accounts.
   C. certificates of deposit.
   D. bonds.

48. What is a benefit of investing in mutual funds?
   A. Investors are guaranteed a minimal amount of return.
   B. Investors' fees are waived because it is an ownership investment.
   C. Investors have access to a fund manager's expertise.
   D. Investors earn interest because it is a lending investment.

49. A customer wants to purchase a complete bedroom set and pay part of the cost in intervals until the furniture is paid for. Which type of credit would best serve this customer's need?
   A. Revolving credit account
   B. Installment credit account
   C. Secured loan
   D. Unsecured loan
50. If an investor wants to receive a guaranteed rate of return that is higher than rates offered by savings accounts and does not need access to the funds for an extended period, which of the following investments would be the best choice:
   A. Money market account
   B. Government bonds
   C. Certificate of deposit
   D. Online savings account

51. When Nelson was younger, his grandparents sent him a special lending investment every year to save for his college education. His parents explained to him that his grandparents purchased the investments from the government in exchange for a certain amount of money. When Nelson was older, they said, he could cash in the investments and receive more money than his grandparents originally paid. Nelson's grandparents sent him
   A. stocks.
   B. checks.
   C. bonds.
   D. interest.

52. Which of the following investments involves almost no risk, along with easy accessibility to your money:
   A. Stock
   B. Savings account
   C. Real estate
   D. Mutual fund

53. Insurance is essentially a way to__________ risk.
   A. prevent
   B. transfer
   C. avoid
   D. increase

54. Larry pays $180 each month to National Insurance Corporation for his car insurance. Each month, Larry pays a __________ to National Insurance.
   A. tax
   B. premium
   C. claim
   D. deductible

55. Julie's grandparents have offered to give her $1,000 at either the beginning or end of college. Why should she take the gift at the beginning of college?
   A. Inflation will increase the value over time.
   B. She can start earning interest sooner.
   C. She will pay fewer taxes before she begins college.
   D. She shouldn't; she should wait until after college.
56. How much will an investment of $10,212 be worth if it is invested for 10 years in an investment product earning 8% simple interest each year?
   A. $12,434.32  
   B. $17,564.64  
   C. $18,381.60  
   D. $8,381.60

57. Which of the following items is most likely to be a short-term savings goal:
   A. Vacation  
   B. House  
   C. Future children's college  
   D. Retirement

58. The amount of interest you earn in a typical savings account is about
   A. 10 percent.  
   B. 11 percent.  
   C. one percent.  
   D. 15 percent.

59. Compounding can be described as
   A. earning interest upon interest.  
   B. meeting financial needs.  
   C. risking the stock market.  
   D. avoiding inflation.

60. Alexander's savings account earns 1.50% in interest. Using the Rule of 72, how many years would it take for Alexander's savings to double?
   A. 108 years  
   B. 36 years  
   C. 48 years  
   D. 15 years

61. Which of the following is a long-term life goal that people often save money for:
   A. Budgeting for daily expenses  
   B. Buying a home  
   C. Paying utility bills  
   D. Using an emergency fund

62. Alyssa wants to save enough money for an emergency fund. She hopes that the fund will help her cover unexpected costs in the event of tragedy or disaster. In this situation, Alyssa should
   A. put all her money into a 401(k) and other retirement savings accounts.  
   B. purchase high-risk stocks that have the potential for great rewards.  
   C. invest her money in the stock market by buying assets that might increase in value.  
   D. put aside money in a traditional bank account, such as a savings account.
63. Before you invest, you should
   A. graduate from college.
   B. own a car.
   C. be at least 25 years old.
   D. conduct thorough research.

64. A general rule about investment risk says that the greater risk you are willing to take, the greater your potential gains and your potential
   A. time horizon.
   B. taxes.
   C. need for liquidity.
   D. losses.

65. Which of the following should you determine before you invest for the long term:
   A. What you want to accomplish
   B. What your advisor recommends you do
   C. What will affect your investment in the short term
   D. What others are doing

66. The primary purpose of financial institutions is to help clients manage their money, and the primary purpose of insurance companies is to provide insurance products that help clients __________ their __________.
   A. minimize, risk
   B. strengthen, investments
   C. reduce, assets
   D. increase, profitability

67. Jade’s dental insurance makes dentist visits affordable, so she is able to go for regular checkups and receive treatment if she has any dental problems. This is an example of how insurance
   A. encourages better dental health.
   B. does not cover all procedures.
   C. reduces the need for regular dentist visits.
   D. removes stress in emergency situations.

68. Which of the following is a non-depository financial institution:
   A. Credit union
   B. Bank with FDIC insurance
   C. Insurance company
   D. Local savings and loan

69. What is the purpose of using diversification strategies?
   A. To decrease equity
   B. To manage price
   C. To reduce risk
   D. To control debt
70. What is an example of good debt?
   A. Leasing a car that you plan to keep for at least 10 years
   B. Putting zero down on a home loan
   C. Using credit cards to pay for a family vacation
   D. Taking out loans for college

71. If you want to avoid excessive debt, which of the following actions should you take:
   A. Avoid big purchases unless they’re impulse buys.
   B. Create a budget, and stick to it.
   C. Pay the minimum payment due each month on your credit card.
   D. Use a credit card for purchases you can’t afford.

72. An employee’s completed W-4 or TD1, along with their employer's pay schedule (weekly, semimonthly, etc.), is used to figure the amount of __________ tax withheld from the employee's pay.
   A. unemployment
   B. Social Security
   C. inheritance
   D. federal income

73. Andrew bought an expensive TV using a credit card he opened last year. He figured that he could afford the TV if he used credit instead of cash. After several months of making the minimum payment on his card, Andrew realizes that his balance is getting higher instead of lower. He checks the status of his credit line and realizes that his monthly payments have been going toward interest and fees—not to his TV purchase! Before he bought the TV using credit, Andrew should have
   A. looked for another job to pay for his expensive purchase.
   B. considered how interest increases the cost of credit.
   C. taken money out of his savings account to pay for the TV.
   D. opened a new credit account to minimize his responsibility.

74. Deacon has a credit card with an APR of 20% that uses an adjusted balance method to calculate interest. If he uses the credit card to purchase a $600 item and pays $200 per billing period, how much total interest will Deacon pay during the first three billing periods?
   A. $20.44
   B. $10.00
   C. $48.21
   D. $25.30

75. When Jasmine got her credit card bill, she was surprised to see that she was charged an extremely high annual fee. Jasmine could have avoided this situation by
   A. opening multiple credit card accounts.
   B. applying for a lower interest rate.
   C. closely reading the terms and conditions.
   D. paying her credit card bill on time.
76. When evaluating the reliability of a journal article that addresses a complex issue or topic, it is important to consider the author's  
   A. age and expertise.  
   B. gender and age.  
   C. expertise and knowledge.  
   D. knowledge and gender.

77. When analyzing information found online, it is especially important to  
   A. use sources associated with political parties or action groups.  
   B. assume that the source of your information is credible.  
   C. skim the information briefly rather than reading it carefully.  
   D. evaluate the reliability and relevance of the information.

78. One of the advantages of discussing career opportunities with employees in specific fields is that you often obtain information about  
   A. job requirements.  
   B. referral programs.  
   C. industry statistics.  
   D. placement services.

79. 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. programming needs.  
   B. employment outlook.  
   C. career goals.  
   D. testing tips.

80. Libraries most often help job seekers learn about potential careers by providing  
   A. personal contacts with professionals in different occupations.  
   B. on-the-job training and career prep at local businesses.  
   C. occupational handbooks and other online career resources.  
   D. guidance counselors for job seekers in various fields.

81. When using exploratory interviews to identify occupational interests, you should try to interview someone who  
   A. has an executive position in the company.  
   B. holds the kind of job you want.  
   C. used to have the kind of job you want.  
   D. hires people for the kind of job you want.

82. Which of the following is a question that you can ask yourself to help you determine an occupation that you might like to pursue:  
   A. What computer programs do I work with?  
   B. What types of sports do I like?  
   C. What grade did I get on my last science exam?  
   D. What are my favorite classes in school?
83. Jen excels in math and enjoys solving problems. Which of the following activities would help her learn the most about a high-level career in finance:
   A. Get a job as a grocery store cashier
   B. Apply for college scholarships
   C. Take a career assessment test
   D. Job shadow at a financial institution

84. An individual who is interested in a specific profession might consider obtaining job-related experience by
   A. performing volunteer work.
   B. taking a class.
   C. conducting online research.
   D. selecting a mentor.

85. Participating in school-operated programs such as the school store or library is one way that students might obtain
   A. work experience.
   B. college information.
   C. job approval.
   D. additional education.

86. To delay payment when buying business supplies from a website, a purchaser is most likely to pay for the goods with a(n) __________ card.
   A. credit
   B. debit
   C. ATM
   D. store-value

87. What should employees in today's changing world do to prevent their skills from becoming obsolete?
   A. Continue their education
   B. Change jobs frequently
   C. Modify personal behavior
   D. Delegate responsibility

88. Seminars and workshops that are sponsored by trade associations are ways to obtain job training for people who
   A. work in a specific industry.
   B. need to improve their management skills.
   C. are getting ready to retire.
   D. want to obtain a graduate degree.

89. Which of the following is an example of an individual's occupation:
   A. Changing jobs within the company
   B. Being a career salesperson
   C. Getting a part-time job
   D. Exploring new employment options
90. One reason why many workers begin their careers in entry-level jobs is because these jobs
   A. provide no room for advancement.
   B. offer very low compensation.
   C. require little or no experience.
   D. are limited to small businesses.

91. Edward is a college student earning his business degree. In the evenings and on weekends, he bags groceries
    at a local store to earn money for school. “Grocery bagger” is Edward's
   A. goal.
   B. long-term plan.
   C. job.
   D. career.

92. How do workers often identify the skills that are needed to further their careers?
   A. Change jobs on a frequent basis
   B. Monitor trends in their occupations
   C. Change their mental attitudes
   D. Measure their level of self-esteem

93. A business is much more likely to fail if its owner starts it simply to
   A. provide personal satisfaction.
   B. make a difference in others' lives.
   C. make money.
   D. become independent.

94. Leena wants to start investing, but she does not know much about the stock market, nor does she have time to
    closely follow her portfolio. Leena should invest in
   A. insurance.
   B. growth stocks.
   C. a savings account.
   D. mutual funds.

95. Which of the following is a true statement about stockholders:
   A. They have liability for corporations.
   B. They have decision-making power.
   C. They have management power.
   D. They can take any assets from the company.

96. Which of the following is a reason that you might file an automobile insurance claim:
   A. You got a flat tire.
   B. Your car battery died.
   C. You left your car doors unlocked, and someone stole your phone.
   D. You accidentally ran a red light and hit another vehicle.
97. Henry is a professional banker. Only certain people—“members”—may save at or borrow money from his deposit-taking financial institution. Henry most likely works for a(n)
   A. CPA firm.
   B. insurance company.
   C. credit union.
   D. mortgage company.

98. For which of the following costs do health insurance providers typically provide payment:
   A. Attorney fees for a medical malpractice case
   B. Dental expenses for the cost of tooth extraction
   C. Funeral expenses for a deceased person
   D. The cost of an open-heart surgery

99. A warranty that covers the entire product is known as a(n) __________ warranty.
   A. full
   B. implied
   C. limited
   D. express

100. If an individual wants to purchase a good or service using money directly from their bank account, they should pay using
    A. a credit card.
    B. a debit card.
    C. cash.
    D. a bond.
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1. D
A bibliography. Citing sources verifies that a website is using accurate information in the same manner that citing sources in a written report confirms accuracy. A table of contents simply shows what is included in the site. It doesn't confirm the accuracy of the contents. A professional look to a website only confirms that the site is designed by a good designer. It does not guarantee that any of the content is accurate. While a recently updated website confirms that information is timely, it does not confirm that the information is accurate. Opinions expressed yesterday by one person are not necessarily accurate, even though they may be current.

SOURCE: Spending Grade 8

2. D
Obtaining credit in your name. Identity theft occurs when someone illegally obtains another person's information and uses that information to assume the other person's identity. It is important to protect against identity theft to prevent unauthorized individuals from using your information to obtain credit in your name. In most cases, the unauthorized person has no intention of paying for the credit, so the debt will be listed on your credit report and may have a negative effect on your credit rating. It is not important to protect against identity theft to prevent unauthorized individuals from sending you information online or trying to sell you a product.

SOURCE: Managing Risk Grade 8

3. C
Summarizing. Summarizing involves recapping the important content of a text in your own words. This can help you focus on the most important information in the article and make sure that you understand it. This is not an example of reviewing vocabulary, creating a timeline, or making a diagram.

SOURCE: Spending Grade 8

4. D
Credit. Credit is the arrangement by which businesses or individuals can purchase now and pay later. When businesses and individuals buy on credit, they pay interest on the amount of credit. If interest rates increase, businesses and individuals often stop buying on credit because it is too expensive. For example, if the interest rate is 4% and the amount of credit is $100, the cost of buying on credit is $4. However, if the interest rate increases to 15%, the cost of $100 credit is $15. Therefore, high interest rates usually cause businesses and consumers to hold off buying expensive items on credit. Fluctuations in interest rates do not have an impact on the use of tax incentives, discounts, or rebates.

SOURCE: Managing Credit Grade 8

5. D
For the potential of a high return, you usually accept a high risk. The statement, “For the potential of a high return, you usually accept a high risk,” describes the relationship between risk and return. Higher risks usually bring higher returns. Lower risks usually bring lower returns. Every investment has some risk—none are risk-free. It would be unwise to take a high risk for something that might bring a low return. It is nearly impossible to find a high-return investment that requires only a low risk.

SOURCE: Investing Grade 8
SOURCE: LAP-FI-077—Invest for Success (Types of Investments)
6. B

Apply their talents where they are best used. People who use their talents are more likely to succeed in their careers. To know what their talents are, individuals must determine their personal strengths and weaknesses. For example, a very artistic person is probably going to be happier and more successful as a graphic artist than if they were to work as an accountant, which involves working with a lot of numerical data. While it is important for people to try to improve weaknesses (e.g., procrastination), this does not mean that they change their personalities. Improving relationships with friends is a personal goal rather than one that will help a person succeed in their career. Everyone experiences conflict at some time, and it cannot be eliminated.

SOURCE: Earning Income Grade 8

7. A

A veterinarian invents and sells a device to prevent horse water troughs from freezing. Creating a product to solve a problem and selling that product is a good example of an entrepreneurial venture because a need has been identified and met; the product solves a problem for consumers, while the resulting sales benefit the veterinarian. A juice bar selling juice on location during special events expands its business but does not represent a new idea or problem solved. A pumpkin farm offering pumpkin carving and costume contests to create more interest is not creating something new or solving a problem. A "crezel" might be a new creative pastry, but there is no indication that it meets an identified consumer need.

SOURCE: Earning Income Grade 8

8. C

A passion to solve issues. An entrepreneur is someone who 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 their efforts. To be successful, an entrepreneur needs to be able to identify and creatively solve problems through innovative products and services. Because of their profession, entrepreneurs must be comfortable with taking risks and understand that there is little guidance or stability.

SOURCE: Earning Income Grade 8

9. C

A savings account. A savings account is an investment in which you lend money to a bank for the benefit of being able to access it at pretty much any time. Savings accounts are insured by the FDIC, so they're extremely safe. A certificate of deposit (CD) is a lending investment in which you lend money to a bank at a set interest rate for a particular period of time. With CDs, you are guaranteed a certain rate of return, but you can't access your money before the end of the time period without paying a penalty. Stocks and collectibles are more risky and would not allow Aria to access her money.

SOURCE: Investing Grade 8
SOURCE: LAP-FI-077—Invest for Success (Types of Investments)
10. D
The convenience of buying now and paying later. Credit cards offer many advantages, including the convenience of buying needed items now and paying later. Other advantages of credit include the security of not needing to carry cash, fraud protection, and in some cases rewards for making purchases. Having a credit card does not mean that you have the ability to spend unlimited money. Most credit cards have credit limits that determine the maximum amount of money you are able to spend each credit period. Most credit cards also have high interest charges on unpaid credit balances. When you fail to pay off your credit card balance, your credit score is lowered—making it more difficult for you to receive loans.

SOURCE: Spending Grade 8
SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)

11. A
Fixed-rate. A fixed-rate mortgage offers the benefit of guaranteeing that the interest rate and monthly payment for the mortgage loan will stay the same for the full term of the loan. The interest rate on an adjustable-rate mortgage is subject to change at certain intervals based on changes in the interest rate market. Therefore, an adjustable-rate mortgage does not have a guaranteed interest rate and the monthly payment for this kind of mortgage loan will shift and change over time. Both fixed-rate and adjustable-rate mortgages are often available in 15- or 30-year terms, so the span of the loan will not necessarily determine whether the interest rate or monthly payment will stay the same.

SOURCE: Spending Grade 8

12. C
Volunteering. Volunteer work involves donating time without pay to complete tasks or projects. Because Ryan is tutoring in his free time, he is performing volunteer work. By volunteering to tutor students, Ryan can determine if he enjoys working with and teaching young children. Participating in these activities may help Ryan determine if he would like to pursue a career in teaching. Internships involve training in which schools and businesses cooperate to provide on-the-job practice for learners. Job shadowing involves observing an individual perform their daily job activities in the workplace. An informational interview involves talking with a business professional about their job.

SOURCE: Earning Income Grade 8

13. A
Express warranty. An express warranty is a promise that is written or expressed verbally. The warranty promises the purchaser that the seller will repair or replace a product that does not perform as expected. An implied warranty is an unwritten warranty understood by the consumer and the seller that the product will perform as expected. A guarantee is a promise made by the seller to the consumer that the seller will refund the consumer's purchase price if the product does not perform as expected. Guarantees are expressed, not implied.

SOURCE: Managing Risk Grade 8
SOURCE: LAP-PM-004—Promises, Promises (Warranties and Guarantees)
14. A

Store of value. Money functions as a store of value when it is saved rather than spent. The money can be held over time, and it retains value for future purchasing power. In some situations, money is invested or placed in an account that generates more value. Money also serves as a medium of exchange. This occurs when money is used to obtain goods and services. Bartering involves trading one good or service for another good or service. Money also functions as a measure of value. When money functions as a measure of value, the individual holding the money assesses what they are willing to pay for a good or service, thereby communicating the product's value or worth.

SOURCE: Saving Grade 8

15. A

A salary; wages. The main difference between a salaried employee and an hourly employee is that a salaried person is paid a fixed amount of money per pay period, whereas a wage earner is paid by the hour. In this example, Joel is a salaried employee because he gets paid the same amount each month regardless of how many hours he works. Anna, on the other hand, is a wage earner because she is paid by the hour. Earning interest is a different way to make money that involves investing your money over time. Earning dividends requires buying shares in a company. A dividend is a sum of money paid regularly by a company to its shareholders out of its profits.

SOURCE: Earning Income Grade 8

16. A

The time value of money. The term "time value of money" refers to the increase of an amount of money as a result of interest or dividends earned. A basic illustration of the time value of money is money and the interest it earns in a savings account. Principal is the deposited amount, which is not modified. Opportunity cost is what you have to give up when you make a choice. In this case, the opportunity cost of depositing $100 is spending it on something else. Inflation has a negative impact on the time value of money.

SOURCE: Saving Grade 8

17. B

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 they don't need but really want, the benefit to the person is immediate gratification or a sense of instant satisfaction that they have acquired the desired product. The opportunity cost (benefit lost) is not a higher discretionary income, lower salary or wages, or long-term dissatisfaction.

SOURCE: Saving Grade 8
18. B

Own the item. When an item is purchased, money is exchanged for the right to own the item. Using credit may be part of the purchase process. Filing a claim may occur later if the buyer's (or seller's) rights were not upheld. Paying for the item is the process of exchanging money during a purchase.

SOURCE: Spending Grade 8

19. D

Can help you achieve larger financial goals. Making purposeful spending decisions, instead of spending out of habit or impulsively, is an important step in achieving larger financial goals. Even small daily savings add up to significant amounts over time. Day-to-day spending does not have to be sacrificed entirely for future financial security, as long as you're aware of your spending and are making purposeful decisions. Small savings every day are a very practical step in reaching your financial goals.

SOURCE: Saving Grade 8

20. D

I want to save $3,000 for a new truck. Measurable goals can be counted or assessed in a way that shows real progress. If you want to save $3,000 for a new truck, this is a measurable goal because you can track the amount of money you save and determine whether or not you're successful. Spending less money on clothing isn't a measurable goal because it's too vague—"less" is more difficult to measure than a specific dollar amount. "I'd like to pay off some of my credit card debt soon" is also not a measurable goal—there is no specific money or time element. "I'm thinking of buying a house" isn't a measurable goal because it isn't specific enough—houses can cost different amounts of money, so it's hard to measure unless you have a certain dollar amount in mind.

SOURCE: Saving Grade 8

21. C

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

SOURCE: Spending Grade 8
22. B
Reduce any unnecessary expenses. A good way to prepare for unexpected setbacks is to save as much as possible by reducing unnecessary expenses. Instead of spending money at a coffee shop every morning, for example, you could make coffee at home and put the money into a savings account or retirement fund. Avoiding risks in your career will not necessarily offset the effects of unexpected setbacks. Refinancing your mortgage might be necessary if you run into setbacks, but it is not a way to prepare for them. Finally, putting off bills and other short-term payments is not a good strategy because it will make your financial situation more difficult.

SOURCE: Spending Grade 8

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

SOURCE: Spending Grade 8

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

SOURCE: Earning Income Grade 8

25. B
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 their 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: Earning Income Grade 8

26. C
$2,980.36. A year-to-date gross pay amount only reflects gross income. To calculate the new year-to-date gross pay, add the gross pay amount to the previous year-to-date gross pay ($542.13 + $2,438.23 = $2,980.36).

SOURCE: Earning Income Grade 8
27. D
Paying credit card balances on time. Credit allows a person to purchase now and pay later. Building a good credit history involves using credit responsibly, which includes making credit card payments on time. It is important to build good credit because lending institutions look at a person's credit history to determine if they should receive a loan. When an individual has a poor credit history, they may not be able to obtain large loans to buy a car or house or to start a new business. Responsible credit involves striving to maintain a high credit rating, looking for the lowest interest rates possible, and limiting the number of credit cards they use. Although it is a good idea to seek counseling to reduce unmanageable debt, this action is taken when a person has not used credit responsibly.

SOURCE: Managing Credit Grade 8

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

SOURCE: Managing Credit Grade 8

29. D
Credit cards allow you to spend money that you might not have. Credit cards are actually a form of a loan—the company loans money and then gets it back by charging interest and other fees. Therefore, you can make purchases on your credit card even when you do not have the same amount of money in the bank. This is not a wise use of credit, however. While many credit card companies allow you to pay only a portion of your credit balance, this is not a good idea because you will be charged interest on the remaining balance. Credit cards do have many benefits, such as offering rewards, giving you the ability to make large purchases, and building a good credit score. You need a good credit history whether or not you have a credit card because credit history is often used when applying to rent an apartment or buying a car.

SOURCE: Managing Credit Grade 8

30. A
Using credit poorly. It is important to use credit wisely to avoid potential late fees, interest charges, and credit score decreases that can make it difficult to qualify for loans. These are all possible results of using credit poorly. They are not results of dropping out of school or going to college. Paying your credit card bills would prevent late fees, interest charges, and credit score decreases—not cause them.

SOURCE: Managing Credit Grade 8
31. B
Use the credit card to pay for routine expenses and pay the balance in full each month. By paying a credit card in full each month, the cardholder can establish a positive credit history and avoid the extra cost of interest. Charging a large amount to the card and making minimum payments would cause interest to accrue on the account and put the cardholder at risk of developing poor credit. Since student loans are not typically charged interest until graduation, it is not beneficial to transfer that debt to a credit card that would begin charging interest right away.

SOURCE: Managing Credit Grade 8

32. B
Verify that the credit agencies have correct information. Credit is the arrangement by which individuals or businesses can purchase now and pay later. A credit agency is a business that maintains files of credit information on individuals and businesses. It is important to make sure that credit agencies have accurate information about your credit history because other businesses purchase the reports to make decisions about extending credit to you or providing a loan to you. Although people can provide information to improve their credit ratings, it is the credit agencies that change or update the information. Good credit reports can increase the chances of obtaining a bank loan, but reviewing the reports cannot ensure that people obtain bank loans. People who monitor their credit reports can reduce the risk of identity theft, but cannot eliminate the risk.

SOURCE: Managing Credit Grade 8

33. D
Validating their credit history. Individuals often validate their credit history before applying for additional credit to make sure that the information in the history is accurate. In some cases, individuals may want to provide additional information to more fully explain their income status if the credit history does not include all sources of income. Also, if there was a history of late payments for a certain account, individuals might want to explain that the charges were in dispute and that the matter has been resolved. Adding additional information often helps answer questions related to an individual's credit history. Individuals usually do not provide additional information about their income status and payment history when opening a checking account, estimating their tax liability, or hiring a financial planner.

SOURCE: Managing Credit Grade 8

34. D
Information in your credit report can impact how much you pay to borrow money. Many financial advisors recommend that you validate your financial credit history annually for several reasons. First of all, information in your credit report can impact whether you get a loan as well as how much you pay to borrow money. Secondly, you should review your credit report annually to ensure that information that appears in the report is correct, complete, and current. Thirdly, by reviewing your credit report, you can ensure that you are not the victim of identity theft. Your financial credit history does not impact your return on stock investment nor appear in your social networking profiles. Although many employers review your financial credit report before hiring you, most universities do not review your credit history before accepting you as a student.

SOURCE: Managing Credit Grade 8
35. B
Pay his bills by the date they are due. The most important thing Eito can do to rebuild his credit is to pay his bills
by the date they are due. A lot of new credit can hurt a person's credit history and Eito should not apply for more
credit while he is trying to rebuild his credit score. Closing older credit cards is not the best choice because
longer-term credit actually helps a person's credit score. Eito should try to lower the amount of money owed
instead of increasing it.
SOURCE: Managing Credit Grade 8
credit-loans-debt/your-credit-history#what-to-know

36. D
Consumers. Consumers should monitor their credit reports because an error could be made by any
organization contributing information to a credit bureau. Monitoring credit reports is also helpful in detecting
fraud. Credit bureaus can help resolve errors on a consumer's credit report, but they are not responsible for
verifying all the credit information contained within a report. Organizations that have extended credit or reported
consumer payments can only verify transactions that involved those organizations.
SOURCE: Managing Credit Grade 8
Mason, OH: South-Western Cengage Learning.

37. C
Active reading. To successfully identify and extract relevant information from written materials, you should use
active reading techniques. These techniques include determining what information you are looking for prior to
reading the text, asking questions of and examining the text, and summarizing the central themes of the text.
Prior to reading any article, for instance, Paula specifies the information that she needs to gather or get out of
the written material. Then, she looks for that specific information as she scans the document. While reading the
article, she also summarizes its main points—either mentally or in writing—to better comprehend the
information presented in the article. After asking herself questions and summarizing the article's main points,
Paula is more likely to locate and extract relevant, helpful information that she can use. Paula is not
prospecting, using a summary close, or professionally editing the article.
SOURCE: Spending Grade 8
https://help.open.ac.uk/active-reading

38. A
Damage to credit history. If steps are not immediately taken to rectify any damages caused by identity theft, the
victim of the theft could spend years trying to rebuild their credit and savings. If one's identity is stolen, they will
not need to get a new identity. Unemployment and homelessness are not results of having one’s identity stolen.
SOURCE: Managing Risk Grade 8
39. C
Shred or tear up important financial documents. To prevent identity thieves from getting your personal information, you should always shred or tear up important financial documents before you dispose of them. These documents might include credit card statements, credit offers, expired credit cards, bank statements, etc. You should review your credit report at least once a year (not every five years) to verify your accounts and account balances. While paying the entire balance on your credit cards monthly and insisting on a fixed-rate loan when borrowing money are wise financial decisions, they do not necessarily prevent identity thieves from getting your personal information.

SOURCE: Managing Risk Grade 8

40. D
Arrange for the post office to hold your mail while you're out of town on vacation. People tend to associate identity theft with computer hacking; however, thieves often use very simple methods to steal others’ personal and financial information. One of the easiest ways to steal confidential or personal information is by simply taking a person’s mail from their mailbox. Rather than waiting to pick up your mail until your mailbox is full, you should get your mail from your mailbox on a daily basis. If you know that you are not going to be home to get your mail because you will be away for an extended period of time, such as on vacation, you should make arrangements for the post office to hold your mail while you’re gone. Including your return address on all of your outgoing mail is a wise practice, but doing so won’t necessarily prevent mail identity theft. Applying for as many credit cards as possible is likely to increase your chances of falling victim to mail identity theft, not lower it.

SOURCE: Managing Risk Grade 8

41. B
Call the bank and check that the email is legitimate. An email that appears to be from a financial institution that requests personal information might be a scam. It is always best to be certain and double check that the request is legitimate, as well as providing the information in a verifiable and secure way. Providing the information without verifying the legitimacy of the request could make Amelia a victim of identity theft. Switching to a different bank might not be necessary. Replying to the email could also put Amelia at risk of identity theft.

SOURCE: Managing Risk Grade 8

42. C
Create passwords that are hard to guess. One of the most effective ways to protect yourself against online identity theft is by creating strong passwords. Passwords should ideally contain numbers, special symbols, and a combination of uppercase and lowercase letters. Words that can be easily associated with you should be avoided. Hackers and other online criminals are often able to guess weak passwords. It's also a good idea to use private Wi-Fi networks whenever possible, since public networks carry additional risks. If you do use public networks, it's a good idea to install firewalls and virus-detection software on your devices. You should review your credit report once a year to check for signs of identity theft—not once every three years.

SOURCE: Managing Risk Grade 8
43. C
Commercial bank. A commercial bank is an institution that offers a variety of services, including checking and savings accounts, loans, and credit. Banks accept deposits and pay interest on those deposits in response. Insurance providers pool premiums to cover the risk of paying for health care or accidents. Brokerage firms facilitate the sale of financial securities. Investment banks help with issuing securities and aid in financial matters such as mergers and acquisitions.
SOURCE: Saving Grade 8

44. A
Ownership. Investments in which individuals purchase a portion or all of an item are called ownership investments. Mr. Daly purchased real estate, which is property that consists of buildings and/or land. Real estate is a type of ownership investment. Securities are the legal owning or lending agreements between individuals, businesses, or governments. Stocks are shares or units of ownership in a corporation. Escrow is a type of account in which money is held in a trust until the money can be transferred to the designated receiver.
SOURCE: Investing Grade 8
SOURCE: LAP-FI-077—Invest for Success (Types of Investments)

45. C
Realistic. To find a career that's best suited for your strengths, it's important to be realistic about your strengths and weaknesses. You must be honest about your aptitudes and limitations if you want to succeed. You should be specific in your self-assessment rather than general. It's OK to be hopeful, but you must be realistic as well. Self-assessment involves only you—it's not a competition.
SOURCE: Earning Income Grade 8

46. A
Stocks. When people buy a company’s stock, they are, in effect, becoming an owner of a piece of that company. Certificates of deposit, money market accounts, and savings accounts are examples of lending investments.
SOURCE: Investing Grade 8
SOURCE: LAP-FI-077—Invest for Success (Types of Investments)

47. A
Stocks. Stocks, mutual funds, real estate, and collectibles are moderate- and high-risk ownership investments that provide opportunities for return by letting you own something of significance. A stock is a piece of paper—whether real or virtual—that says you own part of a corporation. As an owner (or shareholder), you have the rights and responsibilities of ownership. You may be able to sell your stocks for a profit, making a sizeable sum of money. But, being an owner means you risk losing money, too, if the corporation suffers financially or goes out of business. Bonds, savings accounts, and certificates of deposit are lending investments. With a lending investment, you allow someone to borrow your money for a period of time—for a price. The extra money you receive provides the motivation for lending. Investors who can't handle much risk put their money into lending investments. Since Logan is willing to accept a moderate or high risk in exchange for the potential of a moderate or high return, he should invest in stocks.
SOURCE: Investing Grade 8
SOURCE: LAP-FI-077—Invest for Success (Types of Investments)
48. C
Investors have access to a fund manager's expertise. A mutual fund is a type of ownership investment that involves collecting money from many people and then investing it in an assortment of different securities such as stocks or bonds. The benefit to shareholders of placing money in mutual funds is that a well-trained fund manager has the expertise to make smart investment decisions on their behalf. Shareholders are not guaranteed a minimal amount of return on their mutual-fund investments, but because the funds are spread out among different securities, the risk of a total financial loss is reduced. Disadvantages to investing in mutual funds are that shareholders pay fees for someone to manage their investments, and the mutual-fund earnings are taxable.

SOURCE: Investing Grade 8
SOURCE: LAP-FI-077—Invest for Success (Types of Investments)

49. B
Installment credit account. This type of credit is used to purchase large, expensive items such as furniture or appliances. Customers know exactly how much is due each month and how long they will be making payments. Revolving credit usually has a credit limit, and there is no set time for payment in full. Secured loans are funds obtained when the borrower pledges to the lender some valuable possession, such as real estate, stocks and bonds, machinery, or the cash value of a life insurance policy. Unsecured loans are funds obtained by simply signing a promissory note to repay the loan. These loans are usually for a short period of time.

SOURCE: Spending Grade 8
SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)

50. B
Government bonds. Since bonds offer a guaranteed rate of return if they are kept for a set period of time, they are a good choice for an investor who does not need access to the funds. Money market accounts, certificates of deposit, and online savings accounts do not offer rates of return much higher than a traditional savings account.

SOURCE: Investing Grade 8
SOURCE: LAP-FI-077—Invest for Success (Types of Investments)

51. C
Bonds. Bonds are interest-bearing lending investments issued by governments, municipalities, or corporations. Investors lend money to bond issuers with the expectation that they will earn a set rate of interest for a specified time period—such as a year, 10 years, or longer. In this way, a bond is similar to a certificate of deposit (CD). With a bond, however, you don't pay a penalty if you withdraw the invested amount before the end of the time frame. Nelson's grandparents sent him bonds, not interest, checks, or stocks. Interest is the reward or cost of lending or borrowing money, usually figured as a percentage of the amount. Checks are written documents that contain an order for a bank to pay a specific amount of money to a payee. Stocks are shares or units of ownership in a corporation.

SOURCE: Investing Grade 8
SOURCE: LAP-FI-077—Invest for Success (Types of Investments)
52. B
Savings account. A savings account, which is an investment in which an individual lends money to a bank to earn interest, involves very little risk. The money is easily accessible, and there are few restrictions as to how a person can use their money. Stocks are shares or units of ownership in a corporation. Stocks fluctuate over time and involve more risk. A mutual fund is a pool of shareholders' money invested by professional managers in an assortment of different securities. Investing in an assortment of different securities reduces risk, but accessing money in a mutual fund takes time. Real estate is an ownership investment in which individuals purchase property such as buildings and land. Real estate is not a liquid asset, meaning it is difficult to access the money invested in real estate.

SOURCE: Saving Grade 8
SOURCE: LAP-FI-077—Invest for Success (Types of Investments)

53. B
Transfer. Insurance is an agreement between two parties in which one (the insurer) pays for specific losses incurred by the other (the insured) in return for installment payments (premium). The risk is transferred from the insured to the insurer. Insurance is not a way to avoid, increase, or prevent risk.

SOURCE: Managing Risk Grade 8

54. B
Premium. An insurance premium is a fee that is paid to an insurance company for providing insurance protection. A deductible is the amount of money that the insured party must pay before the insurance company will pay a claim. A premium is a cost. A claim is a request for reimbursement for loss or damage. A tax is money that individuals and businesses must pay to the government.

SOURCE: Managing Risk Grade 8

55. B
She can start earning interest sooner. If Julie were to wait until after college to accept the gift, she would miss out on four years of interest payments that she could be earning. Therefore, she should accept the gift as soon as possible so that she can maximize her interest returns. Inflation does not increase the value of money over time; rather, it decreases the value. Julie will not necessarily pay fewer taxes on the gift before she begins college; taxes are dependent on many other factors.

SOURCE: Saving Grade 8

56. C
$18,381.60. The formula for calculating interest is Principal X Rate X Time. To determine how much an investment will be worth at some time in the future, first determine the interest earned per year by multiplying the original investment by the interest rate ($10,212 X .08 = $816.96). Then, multiply the interest earned per year by the number of years to determine the total interest earned over the life of the investment ($816.96 X 10 = $8,169.60). To determine how much the total investment will be worth, add the total interest earned to the original investment ($8,169.60 + $10,212 = $18,381.60).

SOURCE: Investing Grade 8
57. A
Vacation. Short-term savings goals are ones that you hope to achieve in less than a year. In most cases, people save money for less than a year to pay for their vacations. Long-term financial goals, such as retirement, your children's college education, and home ownership, typically take more than a year to achieve or purchase.

SOURCE: Saving Grade 8

58. C
One percent. The amount of interest you earn in a typical savings account is about one percent. Making 10, 11, or 15 percent would only be possible through investing.

SOURCE: Saving Grade 8
SOURCE: LAP-QS-030—Supersize Your Money (Need to Save and Invest)

59. A
Earning interest upon interest. Compounding can best be described as earning interest upon interest. There is no way to avoid inflation; one can only plan to overcome the effects of inflation with careful saving and investing. The compounding growth of the stock market is an excellent way to meet financial needs and goals, but meeting financial needs is not a description of compounding. Although there are risks in the stock market, risking the stock market does not describe compounding.

SOURCE: Saving Grade 8

60. C
48 years. The Rule of 72 can be used to determine how long it will take to double money that is saved or invested. To calculate how long it will take to double the money, divide 72 by the interest rate (72 / 1.50 = 48). It will take 48 years for Alexander's savings to double.

SOURCE: Saving Grade 8
SOURCE: LAP-QS-030—Supersize Your Money (Need to Save and Invest)

61. B
Buying a home. Home ownership is a long-term life goal many people save money for; they typically use this money to make a down payment on the purchase price of the home. An emergency fund is an important tool but does not represent a life goal. Budgeting for daily expenses and paying utility bills are common short-term goals, not long-term life goals.

SOURCE: Saving Grade 8
62. D
Put aside money in a traditional bank account, such as a savings account. When saving money for a short-term goal such as buying a car, making a down payment on a house, or creating an emergency fund, traditional bank accounts are generally best because they allow you to access your money quickly and easily. Investing money generally involves higher risk than a traditional bank account and usually makes it more challenging to access money quickly. Retirement savings accounts such as 401(k) accounts are not intended to be used for short-term savings goals.

SOURCE: Saving Grade 8

63. D
Conduct thorough research. Before you invest, you should conduct thorough research. The stock market can seem like a big, bad place, and investing is a tricky business. But that doesn't mean you shouldn't do it—it just means you need to do your homework before jumping in and investing. Every successful investor realizes the importance of thorough research. You shouldn't put your money into any investment without getting all the facts. Some of the facts you'll need to learn come from researching the investment, and some of the facts come from taking a close look at yourself. You don't need to graduate from college, be 25, or own a car before investing—the sooner you get started, the better.

SOURCE: Investing Grade 8
SOURCE: LAP-QS-041—Suits Me! (Investment Selection Factors)

64. D
Losses. The more risk you assume in an investment, the greater your potential gains and your potential losses. Taxes will increase along with your income. While risk and time horizon are related, your risk tolerance depends on your time horizon, rather than your time horizon depending on your risk tolerance. Your need for liquidity also does not depend on your risk tolerance.

SOURCE: Investing Grade 8

65. A
What you want to accomplish. Before you invest for the long term, determine what you want to accomplish and how much risk you are willing to face. Then, consider the risk/return tradeoff so you can decide if the investment suits your goals and your risk tolerance. What others are doing, what your advisor recommends, and what your investment will do in the short term are not relevant to long-term investing.

SOURCE: Investing Grade 8
66. A
Minimize, risk. Insurance companies sell insurance policies. An insurance policy is a contract that states that the insurer (the insurance company) will pay for specified losses incurred by an individual or another company (policy holder) in return for installment payments (premiums). The purpose of purchasing insurance policies (e.g., life, property, professional liability, etc.) is to protect the policyholder's assets and minimize financial losses associated with various risks (e.g., death, fire, and malpractice). By minimizing the policyholder's financial losses, the insurance company is providing a product that protects the policyholder's assets. Many insurance companies now provide financial products (e.g., investments), which are designed to build wealth. The primary purpose of insurance companies is not to provide insurance products that increase the policyholder's profitability but to protect the policyholder from financial losses.

SOURCE: Managing Risk Grade 8

67. A
Encourages better dental health. Because dental insurance reduces the cost of oral care for individuals, it makes them much more likely to go for regular checkups and receive the appropriate treatments for any dental problems they may experience. This makes people healthier overall. Dental insurance does not reduce the need for regular dentist visits. Dental insurance does reduce stress in emergency situations, but this is not related to Jade's example. Dental insurance does not always cover all procedures, but this is not related to Jade's example.

SOURCE: Managing Risk Grade 8

68. C
Insurance company. An insurance company does not accept traditional deposits, so it is a non-depository institution. Local savings and loans and banks with FDIC insurance accept deposits and are depository institutions. Credit unions work much like banks and also accept deposits.

SOURCE: Managing Risk Grade 8

69. C
To reduce risk. Certain investments are safer than others and pay a steady return. However, investments that have more risk usually pay a higher return. To reduce the overall level of risk, investors often diversify and purchase a variety of products. For example, they might invest in government bonds that pay a guaranteed amount even though that amount is not particularly high. Then, they might buy stock in major corporations that have a history of paying reasonable dividends. Finally, they might invest in startup companies that could potentially pay a high return. By diversifying, investors reduce the possibility of losing the entire investment. The purpose of using diversification strategies is not to decrease equity, control debt, or manage price.

SOURCE: Investing Grade 8
70. D

Taking out loans for college. Parents or students should save what they can for a college fund, and then 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: Managing Credit Grade 8

71. B

Create a budget, and stick to it. The best way to avoid debt is to not spend more money than you have. This means creating a budget and sticking to it! Sometimes big purchases (such as cars, houses, or a college education) are necessary, but they should never be impulse buys. Big purchases should be planned (and budgeted) for. Making just the minimum payment each month can lead to lots of interest, which you don't want if you're trying to avoid debt. If possible, you should always pay off the full balance on your credit card. Using credit cards for purchases you can't afford is dangerous and can quickly lead to excessive debt if you aren't careful. It's a good idea not to charge purchases to your credit card if you know you won't be able to pay for them when your bill comes.

SOURCE: Managing Credit Grade 8

72. D

Federal income. An employee's completed W-4, along with their employer's pay schedule (weekly, semimonthly, etc.), is used to figure the amount of federal income tax withheld from the employee's pay. The W-4 form tells employees how many withholding allowances the employee is claiming. Based on the employee's pay, the pay schedule, and the employee's withholding allowances, employers can use an IRS or CRA wage bracket table to determine how much income tax to withhold. Unemployment tax is paid by the employer, not the employee. An employee's Social Security and inheritance taxes are based on a person's total income or wealth and are not impacted by the employee's withholding allowances or the employer's pay schedule.

SOURCE: Earning Income Grade 8

73. B

Considered how interest increases the cost of credit. Before he purchased the TV using a credit card, Andrew should have calculated the total cost of his purchase—including interest and fees. Interest can significantly increase the price of a purchase and can cause individuals to pay for items over a much longer period of time than they originally anticipated. Opening a new credit account before purchasing the TV would not have minimized Andrew's responsibility for the purchase; it would have simply transferred his payments to another creditor. Andrew should not necessarily have looked for another job before purchasing the TV—if he truly couldn't afford it with his current income, he should not have bought it. It would have been unwise to take money out of his savings account to pay for the TV.

SOURCE: Managing Credit Grade 8
74. A

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

SOURCE: Managing Credit Grade 8

75. C

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

SOURCE: Managing Credit Grade 8

76. C

Expertise and knowledge. An important consideration when evaluating the reliability of a journal article is the author’s expertise and knowledge about the subject matter. Age and gender are not primary factors to consider when evaluating the reliability of a journal article that addresses a complex issue or topic.

SOURCE: Spending Grade 8

77. D

Evaluate the reliability and relevance of the information. There are plenty of online sources that contain credible information—but there are also many websites that you shouldn’t trust when searching for unbiased fact. For example, websites such as Wikipedia can be edited by anyone—even people who don’t have expert knowledge on the topic being discussed. Similarly, political parties or action groups may run websites that seem to provide unbiased truth, but in reality, their information is severely biased. Therefore, when analyzing information found online, it’s important not to assume that the source of your information is credible. Rather, you should carefully select the sources that you use. Regardless of the source, it’s not a good idea to skim information briefly when attempting to analyze it. Instead, you should read it carefully.

SOURCE: Spending Grade 8
78. A

Job requirements. Individuals currently employed in specific occupations are often good sources of information about those jobs and their requirements. These employees perform the required tasks on a daily basis and can explain the jobs to others. They can provide details about what the jobs actually entail and describe an average workday. Employees in specific fields might not have information about referral programs, placement services, or industry statistics.

SOURCE: Earning Income Grade 8

79. 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: Earning Income Grade 8

80. C

Occupational handbooks and other online career resources. Libraries offer a wealth of information regarding career opportunities. Job seekers can visit a local library to access the internet, where job boards, career preparation websites, and other online resources can be utilized. Libraries often have access to specialized databases for research that may also aid in the job search. Finally, libraries generally have a variety of printed materials (books, trade magazines, etc.) that can help job seekers learn more about career opportunities. Personal contacts, guidance counselors, and on-the-job training and career preparation are also valuable tools for job seekers, but they are not usually provided by general libraries.

SOURCE: Earning Income Grade 8

81. B

Holds the kind of job you want. Interviewing someone who currently holds the kind of job you want will yield information on career paths, preparation, advantages, and disadvantages of the career. Interviewing people who hire, used to be in that position, or are executives of the company may provide an incomplete picture of the career you are interested in.

SOURCE: Earning Income Grade 8
82. D
What are my favorite classes in school? When determining what occupation you might want to pursue, you need to assess your interests and skills. Your favorite classes in school can help you determine the subjects that interest you. For example, if you like to do math and you do well in your accounting class, you might consider a career in accounting or finance. Or, if you enjoy writing and do well in your composition class, you might consider a career as a journalist, editor, or copywriter. The types of sports that you like, the computer programs that you currently work with, and the grade that you received on your last science exam are not questions that will help you determine your occupational interest.

SOURCE: Earning Income Grade 8

83. D
Job shadow at a financial institution. Job shadowing at a financial institution would give Jen the opportunity to learn about the job requirements and skills needed for a job in finance. She would also have the opportunity to ask a professional questions. A career assessment test is helpful when trying to identify interests but does not provide much information about a specific career. A job as a store cashier would not expose her to high-level finance career options. Applying for college scholarships would not provide any information about finance careers.

SOURCE: Earning Income Grade 8

84. A
Performing volunteer work. Volunteer work refers to activities or tasks that a person performs without pay. For example, a person who wants to find out about public relations might consider volunteering at a PR firm. Although responsibilities might be menial in nature, the experience provides the volunteer with insight as to how a PR firm operates and what is expected of its personnel. Taking a class, selecting a mentor, and conducting online research provide important education and information, but they do not necessarily provide workplace experience.

SOURCE: Earning Income Grade 8

85. A
Work experience. There are several ways to obtain work experience without having a paying job. One way is to participate in school-operated programs, such as the school store or library. Students who help in the school store learn how to operate cash registers, complete sales transactions, and serve customers. Students who work in the library also learn about customer service. This experience is similar to work experience and can be listed on an individual’s resume. Helping out in the school store or library is a way of obtaining a type of training rather than additional education or college information. Students might receive approval for the work they do, but that is not the purpose of participating.

SOURCE: Earning Income Grade 8
86. A
Credit. Credit is the arrangement in which businesses and individuals can purchase now and pay later. One option businesses have to obtain credit is to secure credit cards from lending institutions. Businesses can obtain the goods and services they need right away, such as airline tickets and supplies, and then pay for the items when they receive their statement from their lending institutions. Businesses often purchase the things they need to operate effectively online. In fact, many web-based businesses will only accept credit cards as a form of payment. Debit cards, ATM cards, and store-value (gift) cards do not delay payment.

SOURCE: Spending Grade 8

87. A
Continue their education. Employees need to continue learning and improving their skills to keep up with changes in technology. For example, many businesses are replacing existing equipment with advanced models that are more complex or perform more operations. Employees need to be willing to learn the skills necessary to operate advanced equipment because their former skills are obsolete. Employees should not change jobs frequently. Modifying personal behavior will not necessarily prevent employees' skills from becoming obsolete unless they also continue their education. Many employees are responsible for performing specific tasks and are not able to delegate that responsibility to others.

SOURCE: Earning Income Grade 8

88. A
Work in a specific industry. Trade associations often provide continuing educational options for workers who want or need to expand their skills and knowledge in a specific industry, such as plumbing or building. As technology evolves, workers often need to attend classes, seminars, and workshops to keep up with the changes in their industry. Some trade associations offer management training classes, but not all workers need or want these types of skills. Workers who want to obtain a graduate degree need to attend a college or university that offers graduate-level programs. People who are near retirement are unlikely to attend continuing education classes or professional development seminars and workshops.

SOURCE: Earning Income Grade 8

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

SOURCE: Earning Income Grade 8
90. C

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

SOURCE: Earning Income Grade 8

91. C

Job. A job is a temporary step that is part of building a career. A career is a long-term journey that typically requires planning and growing. Edward is majoring in business, so his career will likely be in the business field. In the short term, however, he is working at a grocery store to make money; this is a job. Because Edward is studying business, we can assume that bagging groceries is not his goal or his long-term plan.

SOURCE: Earning Income Grade 8

92. B

Monitor trends in their occupations. A trend is defined as the general direction in which people or events are moving. Many people who monitor the trends in their occupation or profession can determine what skills they need to enhance or develop and take steps to educate themselves and become more marketable in their fields. For example, a graphic artist takes desktop publishing classes when software upgrades are released. By keeping up with the changes in the profession, the graphic artist learns skills that make their job easier as well as possesses skills that many employers or clients desire. Self-esteem, attitudes, and job acquisition might affect workers’ ability to acquire skills but do not necessarily further their careers.

SOURCE: Earning Income Grade 8

93. C

Make money. Many people start businesses to supplement their existing income or gain financial independence. However, a business is much more likely to fail if its owner starts it simply to make money. Money should never be your top priority in starting a new business. If it is, you are much more likely to make hasty, unwise decisions that may help make money in the short run but will ultimately destroy your chance for success. Obtaining personal satisfaction, making a difference in the lives of others, and becoming more independent are all reasons that entrepreneurs start businesses.

SOURCE: Earning Income Grade 8
SOURCE: LAP-PD-066—Own Your Own (Career Opportunities in Entrepreneurship)
94. D
Mutual funds. Mutual funds are pools of money from individual investors that are directed by a fund manager. One of the benefits of investing in a mutual fund is that they are managed by a professional who has the time and expertise to focus on selecting the right investments. Mutual funds are appropriate for Leena because she does not have the time or knowledge to choose her own investments. Saving is different than investing. Insurance would not help Leena in this situation. Growth stocks are risky and require more attention than Leena can give to be successful.

SOURCE: Investing Grade 8

95. B
They have decision-making power. Stockholders have voting rights in shareholder meetings. These votes allow them to influence major decisions such as mergers, changing compensation, or electing a board of directors. Stockholders own shares in the company, but they do not own the company itself. Therefore, they do not have liability for corporations and cannot take any assets from the company. Stockholders also do not have management power at the company.

SOURCE: Investing Grade 8

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

SOURCE: Managing Risk Grade 8

97. C
Credit union. Credit unions are essentially cooperatives providing financial products and services to a group of individuals who work for the same employer or share some other common interest or characteristic. Only members may save at or borrow from a credit union. Credit unions offer many different types of accounts, including interest-bearing checking accounts, also called share-draft accounts. Mortgage companies, insurance companies, and Certified Public Accounting (CPA) firms are not deposit-taking financial institutions.

SOURCE: Saving Grade 8
98. D

The cost of an open-heart surgery. Primary care and life-saving medical costs are typically covered by health insurance providers. Many health insurance providers do not provide payment for dental expenses. Health insurance does not cover attorney fees if a client is pursuing a medical malpractice case. Health insurance providers do not provide payment for funeral expenses.

SOURCE: Managing Risk Grade 8

99. A

Full. A full warranty is one that covers the entire product. A warranty concerning the quality of the product that is written or expressed verbally is an express warranty. A limited warranty is one that does not contain the provisions of a full warranty. It may cover only certain repairs, specific parts, or a particular time period. An implied warranty is one that is understood by the customer and the seller that the product will perform as expected.

SOURCE: Managing Risk Grade 8
SOURCE: LAP-PM-004—Promises, Promises (Warranties and Guarantees)

100. B

A debit card. Debit cards are issued by banks or credit unions and are directly linked to an individual's checking account. If an individual wants to purchase a good or service using money directly from their bank account, they should pay using a debit card—not cash, which is tangible money, a credit card, which is borrowed money, or a bond, which is a type of investment.

SOURCE: Spending Grade 8