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

Copyright © 2024 by MBA Research and Curriculum Center®, Columbus, Ohio. Each individual test item contained herein is the exclusive property of MBA Research Center. Items are licensed only for use as configured within this exam, in its entirety. Use of individual items for any purpose other than as specifically authorized in writing by MBA Research Center is prohibited.

Posted online March 2024 by DECA Inc.
1. Ownership investments are ideal for investors who are
   A. just beginning to invest.
   B. risk-averse.
   C. close to retirement.
   D. risk-tolerant.

2. What is the main reason for treating saving money in a bank account like a fixed expense in a personal budget?
   A. So that you save money regularly
   B. So that money can earn more interest
   C. To pay expenses and bills on time
   D. To pay for financial emergencies

3. Which of the following is a challenge that entrepreneurs often face:
   A. Tax breaks
   B. Increased resources
   C. Potential financial loss
   D. Extra vacation time

4. Kia wants to buy a bike. She researches information about different models and finds the following review on a website called Ben's Bike Blog for the FreeStyle 9000: “I love this bike so much! It is the best model I have found for my needs. No need to look anywhere else for a bike you will enjoy—contact me if you would like to learn more.” After looking through the website, Kia realizes that Ben sells this model of bike. This website possibly demonstrates
   A. bias.
   B. liability.
   C. fraud.
   D. reliability.

5. Workers should learn to be adaptable as they move through their careers because
   A. the marketplace tends to stabilize over time.
   B. businesses hire employees who are set in their ways.
   C. they show employers that they are satisfied with the status quo.
   D. the business environment is always changing.

6. Many businesspeople are required to take continuing education classes to
   A. supplement their existing income.
   B. maintain their professional certifications.
   C. improve their standard of living.
   D. demonstrate their emotional intelligence.

7. Which of the following is a disadvantage of investing in a savings account:
   A. The rate of return doesn't keep up with inflation.
   B. A minimum balance is required to keep the account active.
   C. You must pay a penalty for withdrawing your money early.
   D. There is a high potential for loss.
8. Which of the following is a disadvantage of using cash as a form of financial exchange:
   A. The risk of theft decreases.
   B. It is easy to steal or lose.
   C. Cash payments often incur fees.
   D. There is a higher risk of fraud.

9. An advantage of using cash as a payment method is the fact that
   A. there are no security benefits.
   B. it is inconvenient.
   C. there are no hidden fees.
   D. it helps build credit.

10. Daniel works as a marketing strategist at a digital marketing agency, where he earns a yearly __________ in compensation for his work.
    A. interest
    B. dividend
    C. inheritance
    D. salary

11. Molly and Tim have just had their first baby, Tommy. On top of their other financial considerations, such as saving for their retirement, they will now have to start saving and investing for Tommy's
    A. life insurance.
    B. college education.
    C. retirement.
    D. health insurance.

12. Rita is looking for an easy-access bank account that she can use to earn interest on the money she receives from her part-time job. She hopes to use the account to put money aside for her future college expenses. Which account type best fits Rita's needs?
    A. Money market account
    B. Checking account
    C. Certificate of deposit (CD)
    D. Savings account

13. What is a guideline to follow when completing a loan application?
    A. Use overly large letters to make the application easy to read.
    B. Use all uppercase letters when completing online applications.
    C. Present yourself in a positive light but be honest.
    D. Leave questions blank when they don't apply to you.

14. Eric goes to the bank for a loan for his small business. He has had three businesses in 10 years—the first two failed. Joan also goes to the bank for a loan for her small business, which has been open for 10 years and has had steady success. The banker would probably decide to charge __________ a __________ interest rate.
    A. Joan; higher
    B. Eric; higher
    C. both; high
    D. both; low
15. What is the key reason that credit is used so widely by consumers and businesses?
   A. Credit allows consumers to stretch their spending beyond the actual limits of income.
   B. Credit allows consumers and businesses to purchase major products without paying for them.
   C. Credit allows consumers and businesses to purchase goods and services when they are needed.
   D. Credit allows new employees and new businesses to purchase items before income levels out.

16. Which of the following is a tax on employment:
   A. Excise tax
   B. Payroll tax
   C. Property tax
   D. Sales tax

17. What do people usually take into consideration when identifying occupations that they want to pursue in life?
   A. Natural talent
   B. Social attitude
   C. Mental health
   D. Personal conduct

18. Kit isn't sure whether she wants to become a nurse or a teacher. What kind of information could she find in career-information guides to help her make a decision?
   A. Her own aptitude for nursing and teaching
   B. Networking opportunities with nurses and teachers
   C. The expected salaries of nurses and teachers
   D. A firsthand account from a nurse and a teacher

19. Whenever Lucas goes to the dentist, he is responsible for paying 25% of the total bill. His dental insurance pays for the rest of each bill. The portion that Lucas pays is a(n)
   A. deductible.
   B. indemnity.
   C. copayment.
   D. premium.

20. How can you protect yourself from phishing attacks trying to steal your identity?
   A. Strengthen your passwords.
   B. Be suspicious of unsolicited phone calls.
   C. Monitor your credit card statements.
   D. Keep your mail safe from thieves.

21. Which of the following items are most likely to impact the cost of using credit:
   A. Paycheck and interest rate
   B. Loan length and lender
   C. Interest rate and loan length
   D. Lender and paycheck
22. What type of skills often makes it easier for employees to move up the career ladder?
   A. Intangible
   B. Transferable
   C. Compatible
   D. Negotiable

23. To determine an individual’s insurance __________, an insurance company will consider a variety of factors, including age, gender, medical history, and occupation.
   A. agent
   B. premium
   C. deductible
   D. copay

24. Employees who want to enhance their careers and progress through the management ranks should develop their
   A. job expectations.
   B. leadership skills.
   C. artistic abilities.
   D. social contacts.

25. To save some money to buy a used car for college, Tim placed $1,650 in a savings account and did not add to or withdraw money from the account for a year. At the end of the 12-month period, Tim had $1,722.08 in his savings account. What was the rate of return on the savings account?
   A. 4.6%
   B. 4.4%
   C. 3.7%
   D. 3.5%

26. How can you easily and automatically track your bank account withdrawals and deposits?
   A. Save your receipts and compare them to your bank statement.
   B. Organize your financial paperwork.
   C. Make a list of all of your bills and when they are due.
   D. Use a mobile banking or budgeting app.

27. Nala, who is preparing a personal budget, is determining her fixed and variable expenses. Which of the following is most likely to represent a fixed expense:
   A. Gasoline
   B. Electric bill
   C. Groceries
   D. Car payment

28. When considering employment opportunities, it is important to remember that each career option varies in terms of earning potential, skills, and __________ requirements.
   A. gender
   B. health
   C. educational
   D. intensity
29. On his way home from work, Jason stops at the gas station to buy a magazine and a pack of gum. The magazine and gum are examples of __________ expenses.
   A. nonessential
   B. essential
   C. variable
   D. fixed

30. Abbie just graduated from college, moved to a new apartment, started a new job, and has no dependents. She makes enough money to cover her living expenses, but she also needs to save enough to
   A. cover medical expenses.
   B. invest in the stock market.
   C. support beneficiaries.
   D. retire within a few years.

31. Parker decided to create an Instagram account to share pictures of nature he takes with his new camera. To create a strong and secure online password for his account, Parker should
   A. use his personal information.
   B. keep it short in length.
   C. reuse a password from another website.
   D. make his password a nonsense phrase.

32. Philip needs a car to drive to his new job, but he does not have enough cash in his savings account to cover the cost yet. Philip’s situation shows why
   A. credit is a marketing-information tool.
   B. saving money is not an effective practice.
   C. it is a good idea to build a strong credit rating.
   D. credit is often necessary to make large purchases.

33. Gabriella is writing a professional report about the trends occurring in a specific industry. What source would provide Gabriella with the most relevant, up-to-date information?
   A. Online message boards
   B. Archived government periodicals
   C. Mailing lists
   D. Trade publications

34. Sam’s family has just had a baby. What should Sam do with his financial plan?
   A. Continue to follow his plan as he has been
   B. Submit a copy of the plan to be notarized
   C. Reassess the plan and modify it as needed
   D. Create a completely different plan from scratch

35. Which of the following is most likely to be an unwise purchase to make using credit:
   A. A car
   B. A house
   C. A hot tub
   D. An education
36. A business is transitioning all its customer records to a digital format. When it gets rid of the old paper records, it should shred the documents to prevent
   A. identity theft.
   B. data inaccuracy.
   C. hacking.
   D. loss of market share.

37. Rossi is buying a new computer for $363 with his credit card. The credit card has a rate of 24% and uses an adjusted balance method to calculate interest. The credit card company begins charging interest on Rossi's purchase during the first billing period. If Rossi makes a payment of $200 for the first billing period and pays the remaining amount for the second billing period, how much total interest will Rossi pay?
   A. $12.31
   B. $14.52
   C. $10.67
   D. $7.26

38. Which of the following institutions benefits individuals and groups by channeling funds from savers to borrowers:
   A. Nonprofit organizations
   B. Banks
   C. Income-tax preparers
   D. Property holders

39. Rasheed is interested in investing in a higher risk mutual fund. What type of mutual fund should he put money into?
   A. Stock fund
   B. Balanced fund
   C. Money market fund
   D. Bond fund

40. An individual with a higher income who pays a larger percentage of their income as taxes than an individual with a lower income is in a __________ tax system.
   A. regressive
   B. flat
   C. progressive
   D. proportional

41. What behavior is exhibited when an individual recognizes the possibility of an undesirable outcome and continues to work toward a goal?
   A. Flexibility
   B. Self-discipline
   C. Risk taking
   D. Creativity
42. Kelly saved her money for two years to buy a car she wanted. Soon after, Kelly started saving for an expensive stereo. Kelly's desire for more illustrates the concept that people's wants are
   A. noneconomic.
   B. competing.
   C. varied.
   D. unlimited.

43. Why should an investor who wants to actively trade their investment choose an ETF instead of a mutual fund?
   A. Mutual funds don't allow intraday trades or short selling.
   B. Mutual funds are not professionally managed.
   C. ETFs don't provide any access to small industries or niche markets.
   D. ETFs don't allow intraday trades or short selling.

44. Employees should seek positions that
   A. capitalize on their weaknesses.
   B. minimize their strengths.
   C. capitalize on their strengths.
   D. minimize their experience.

45. Over lunch, Louise tells her new friend that she loves to write. Over the past 20 years, she has been a newspaper reporter, written a magazine column, taught writing at a local college, volunteered as a writing tutor at an elementary school, studied journalism in New York, and even had a novel published. Louise is describing her
   A. occupation.
   B. work environment.
   C. job.
   D. career.

46. Calculate the percentage of increase in savings-account funds for the week if ABC Community Bank started the week with $1,256,778 and ended the week with $1,482,998.
   A. 16%
   B. 20%
   C. 18%
   D. 22%

47. Max earned $1,500 over the summer working at a restaurant. If Max puts his money in a savings account with 1% simple annual interest rate, how much will Max have in 5 years?
   A. $1,515
   B. $1,575
   C. $1,725
   D. $1,875

48. Which of the following is an example of a transfer payment:
   A. A federal grant to attend college
   B. A tax break for small business owners
   C. Dividends paid to stockholders
   D. Payments made on a car loan
49. When Raina's car was damaged in a hailstorm, she was glad she had automobile insurance because it reduced the cost of car repairs. This is an example of how automobile insurance protects you
   A. legally.
   B. medically.
   C. financially.
   D. culturally.

50. A critical aspect of financial planning involves
   A. setting broad financial goals.
   B. investing money in high-risk securities.
   C. obtaining several credit cards.
   D. saving money for unexpected situations.

51. William's car is damaged. To fix the car, the repairs will cost $1,789. If William's insurance deductible is $750, how much will the insurance company pay for the repairs?
   A. $1,789
   B. $1,039
   C. $750
   D. $789

52. Nina needs to buy her textbooks for college. Instead of getting them from the school bookstore, she finds a way to rent them online for much less money. Nina is
   A. a victim of a scam.
   B. investing rather than saving.
   C. comparison shopping.
   D. impulse buying.

53. To pay his student loans, Jerian elects a plan where he begins with low monthly payments that increase yearly. This is an example of a(n) _________ plan.
   A. standard repayment
   B. income-driven
   C. consolidation
   D. graduated repayment

54. Which of the following is a true statement regarding an employer's tax obligations:
   A. Employers pay a matching amount of employees' Social Security and Medicare taxes.
   B. Employers pay the same amount in taxes for each employee.
   C. Employers may "opt out" of paying payroll taxes.
   D. Employers pay taxes only for full-time employees.

55. On January 3, Anna mailed her credit card payment, which was due on January 5. The credit card issuer received the payment on January 7. What most likely appeared on Anna's credit card statement the following month?
   A. Application charge
   B. Processing charge
   C. Over-limit fee
   D. Late fee
56. Asher just earned $100 for dog sitting. How can he take advantage of the time value of money?
   A. Invest the money so he will earn interest.
   B. Store the money in his sock drawer for later use.
   C. Spend the money later to avoid inflation.
   D. Spend part of the money now and save part for later.

57. Transaction fees and interest rates are important considerations when you are
   A. assessing a loan application.
   B. preparing your bank statements.
   C. selecting a credit card provider.
   D. establishing your credit rating.

58. What do companies try to accomplish when extending credit to customers?
   A. Reduce expenses
   B. Reduce assets
   C. Increase sales
   D. Increase liabilities

59. Which of the following is a way in which a consumer can safeguard their information while using mobile and
    online banking:
   A. Never changing their password
   B. Using unique log-in credentials
   C. Staying logged in at all times
   D. Saving their password in their phone notes

60. Using a credit card is
   A. like getting a free loan if you pay the balance each month.
   B. a good way to pay for impulse purchases.
   C. a privilege reserved for working adults.
   D. an inexpensive way to borrow money for an extended period.

61. An employer might promote an employee who has seniority because the employee
   A. has a proven record of accomplishments.
   B. works with other people on a regular basis.
   C. expresses an interest in technology.
   D. completes certain projects ahead of schedule.

62. What is the primary reason many start-up businesses fail?
   A. Owners do not stay current with technology and professional development.
   B. Owners require employees to take aptitude tests when they are hired.
   C. Owners tend to hire employees who have good references.
   D. Owners do not have access to resources for professional development.
63. Which of the following investments uses a manager who is responsible for deciding which investments to pursue:
   A. Real estate
   B. Money market account
   C. Bond
   D. Mutual fund

64. Which of the following is an example of a payroll deduction:
   A. Overtime hours
   B. Health insurance
   C. Net pay
   D. Pay rate

65. Which of the following is a disadvantage of a checking account:
   A. Online transaction options
   B. Account balance requirement
   C. Overdraft protection
   D. Direct payroll deposit

66. Yazmin earned $5,000 from her summer job. If she invests it at a rate of 5%, how much will it be worth in two years?
   A. $5,025.50
   B. $5,512.50
   C. $5,500
   D. $10,250

67. One difference between stocks and bonds is that
   A. issuing bonds helps businesses grow.
   B. bonds must be repaid over time.
   C. stocks include interest payments.
   D. stocks are safer than bonds.

68. Individuals often are willing to take the risk of investing because of the
   A. expected return.
   B. financial guarantee.
   C. unlimited insurance.
   D. low interest.

69. Which of the following factors might affect a customer's application for credit:
   A. Height
   B. Income
   C. Race
   D. Gender
70. Calista is an investor with a high risk-tolerance seeking high growth. Which of the following represents the most diversified investment approach:
   A. 20 high-growth stocks in different industries
   B. 15 high-growth stocks within the technology sector
   C. 5 high-growth stocks in different foreign markets
   D. 5 high-growth stocks in different industries

71. Amira is trying to choose a financial institution. She likes to do her banking in person, and she wants to make sure she selects an institution that's customer friendly. She wants good interest rates and low fees, and she'd also prefer to invest with a not-for-profit institution. Amira should invest her money in a(n)
   A. Internet bank.
   B. credit union.
   C. investment bank.
   D. commercial bank.

72. Which of the following financial institutions offers checking and savings accounts and provides loans to individuals and businesses:
   A. Brokerage houses
   B. Investment banks
   C. Insurance companies
   D. Commercial banks

73. Entry-level positions provide employees with
   A. basic job experience.
   B. few advancement opportunities.
   C. high salaries.
   D. limited training.

74. You are more likely to achieve your goals if they are
   A. short-term.
   B. long-term.
   C. written down.
   D. based on needs only.

75. Insurance is a key element in lifelong financial planning that
   A. protects a person from unethical salespeople.
   B. provides protection against financial losses.
   C. guarantees a solid financial future.
   D. is available only to property owners.

76. One feature that makes bonds unique when compared to stocks is
   A. a sensitivity to interest rates.
   B. different purchase and sale prices.
   C. a guaranteed return on investment.
   D. bond holders own the corporation.
77. Amelia places $250 in a savings account that pays 6.25% interest compounded annually. Calculate the value of her savings account in two years.
   A. $274.86
   B. $290.60
   C. $282.23
   D. $297.77

78. Which of the following statements about deposit-taking financial institutions is true:
   A. A deposit-taking institution's primary liabilities are checking accounts, savings accounts, money market accounts, and certificates of deposit.
   B. Two types of commercial banks are mutual savings banks and savings and loan associations (S&Ls).
   C. When a saver deposits funds, s/he receives a claim on the individual or firm to whom the depository institution lends these funds.
   D. The Small Business Administration and the Federal Housing Administration are examples of deposit-taking financial institutions.

79. Viola wants to go on a vacation sometime in the next year. How should she generate the money she needs for the trip?
   A. Put the expenses for the trip on a credit card
   B. Put her money in a savings account
   C. Take some money from her emergency fund
   D. Invest her money in the stock market

80. By developing a personal budget, individuals will be able to review their
   A. investment plans.
   B. spending patterns.
   C. insurance policy coverage.
   D. bank statements.

81. While Chase was reviewing his stock performance, he saw that his commodities investment dropped .002 points from Monday's close to Tuesday's close. This drop is called the
   A. net worth.
   B. true value.
   C. net change.
   D. true yield.

82. An employee's net pay is the difference between their __________ and __________.
   A. take-home pay; garnishments
   B. garnishments; gross pay
   C. gross pay; deductions
   D. deductions; take-home pay

83. Why do many employees continue their training or education after obtaining their first jobs?
   A. To obtain basic job information
   B. To impress friends and coworkers
   C. To change occupations frequently
   D. To move up the career ladder
84. Knowing your strengths and weaknesses can help you
   A. perform better in your current job.
   B. receive a raise each year.
   C. make the right decision every time.
   D. obtain any job you want.

85. Which of the following enables you to make a purchase with money directly from a checking account:
   A. Collateral
   B. Debit card
   C. Cash
   D. Credit card

86. Which of the following is the most likely action that the government will take when a person misses the deadline for filing their income tax return:
   A. Refund
   B. Extension
   C. Allowance
   D. Penalty

87. Home-based businesses are attractive to many people because the businesses generally
   A. require less technical training.
   B. provide owners a steady income.
   C. yield higher profit margins.
   D. have lower startup costs.

88. Kevin is reviewing his annual credit report. Ever since he misplaced an important tax document containing his Social Security number, he is especially cautious about protecting his identity. Which of the following is most likely to be a red flag for potential identity theft:
   A. “Soft” inquiries from the credit card companies that Kevin applied to
   B. Negative information outside the credit reporting time limit
   C. Incorrect or outdated address and employer information
   D. Accounts in Kevin's name that he doesn't remember opening

89. Fayth is developing her personal budget. She intends to save 10% of her income, use 38% of her income for housing and utilities, spend 14% on food, devote 20% to transportation, and set aside the rest for clothing, recreation, and entertainment. She earns $958 per pay period. How much money does she plan to spend on clothing, recreation, and entertainment each pay period?
   A. $306.56
   B. $134.12
   C. $288.34
   D. $172.44

90. What information do you need in order to calculate the future value of money?
   A. Present value, return on investment, credit score, and interest rate
   B. Interest rate, return on investment, inflation rate, and credit score
   C. Interest rate, inflation rate, number of compounding periods of interest per year, and length of time in years
   D. Present value, interest rate, length of time in years, and number of compounding periods of interest per year
91. One of the reasons that businesses and consumers use credit is because it provides
   A. reassurance.
   B. interest.
   C. convenience.
   D. collateral.

92. Which of the following individuals is most likely to benefit from choosing a high-risk investment:
   A. 23-year-old saving and investing for retirement
   B. 60-year-old who is close to the age of retirement
   C. 16-year-old saving and investing to pay for college tuition
   D. 14-year-old saving and investing to buy their first car

93. Sheila pays the minimum payment shown on her credit card bill each month. For the remaining amount on the bill, she will be charged a(n)
   A. late fee.
   B. annual fee.
   C. overdraft fee.
   D. annual percentage rate.

94. A business purchases insurance to protect against the risk of burglary. This is an example of __________ the risk.
   A. bonding
   B. preventing
   C. retaining
   D. transferring

95. Taryn is choosing between two apartments. Which of the following factors is most important for her to consider in order to make a responsible financial decision:
   A. The size of the bedroom
   B. The appliances
   C. The cost of rent
   D. The location

96. When applying for credit, lenders will often assess __________, or the reputation of the borrower.
   A. capital
   B. collateral
   C. character
   D. capacity

97. Failing to pay bills on time may result in growing __________, which makes it harder to borrow money.
   A. credit
   B. debt
   C. discounts
   D. assets
98. Tia wants to purchase a new wardrobe using a credit card with a 0% introductory interest rate. How can she determine how much she can afford to charge to the credit card?

A. Determine how much she has in her savings account
B. Calculate how much she can afford to pay on the card each month
C. Find out what her credit limit is from the credit card company
D. Find out how much is in her emergency fund

99. Which of the following factors influences the time value of money:

A. Banks
B. Interest rates
C. World events
D. Financial needs

100. Which of the following is an expense that a typical auto insurance policy will cover:

A. Personal belongings stolen from your car
B. Damage to the stereo system you installed in your car
C. Injuries you cause to someone else in a car accident
D. Water leaking from the roof of your garage
CAUTION: Posting these materials on a website is a copyright violation.

This comprehensive exam was developed by MBA Research exclusively for DECA’s 2023-2024 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. Performance indicators for this exam are at the prerequisite, career-sustaining, specialist, management, and owner levels. A descriptive test key, including question sources and answer rationale, has been provided to the DECA chartered association advisor.

Copyright © 2024 by Marketing & Business Administration Research and Curriculum Center®, Columbus, Ohio (dba MBA Research). Each individual test item contained herein is the exclusive property of MBA Research. Items are licensed to DECA only for use as configured within this exam, in its entirety. Use of individual items for any purpose other than as specifically authorized is prohibited. Possession of this exam, without written authorization, under any other circumstances is a copyright violation. Posting to inter- or intranet sites is specifically forbidden unless written permission is obtained prior to posting. Report violations to DECA at 703.860.5000 and MBA Research at 800.448.0398. Permission for reprinting is granted to DECA chartered associations authorized by DECA Inc.

DECA Inc. will impose sanctions on chapters and chartered associations for violations of this policy up to and including disqualification of competitors and chapters from further participation.
1. D
Risk-tolerant. Ownership investments generally carry more risk than lending investments. Therefore, they are ideal for risk-tolerant investors rather than risk-averse investors. Ownership investments may or may not work for those just beginning to invest or those close to retirement—it just depends on the situation.

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

2. A
So that you save money regularly. To reach savings goals, it's important to treat saving money like a fixed expense so that it occurs on a regular basis. A savings fund can be used to meet financial emergencies and to earn interest, but neither are the reason for treating savings like a fixed expense. Paying for expenses and bills on time is not a reason for treating savings like a fixed expense.

SOURCE: Saving Grade 8

3. C
Potential financial loss. Entrepreneurs face the possibility of uncertain income, irregular paychecks, and potential financial loss. Increased resources and tax breaks are opportunities for would-be business owners. Entrepreneurs do not usually have extra vacation time; instead, they may have to work long hours and give up vacation time.

SOURCE: Earning Income Grade 8
SOURCE: LAP-PD-066—Own Your Own (Career Opportunities in Entrepreneurship)

4. A
Bias. Bias is an inclination to have a certain perspective in favor or against a person, group of people, or thing. Because Ben sells the bikes, he could have a favorable bias toward the FreeStyle 9000; he stands to benefit from their sale. Reliability is how consistently a product performs over time. Fraud is a deception purposely carried out to secure unfair or unlawful gain. Liability is a debt, usually money, that the business owes. This scenario does not give enough information to suggest reliability, fraud, or liability.

SOURCE: Spending Grade 8

5. D
The business environment is always changing. Being adaptable means that you are able to accept and deal with changes as they occur. The marketplace is always changing, so businesses must be able to adapt to accommodate the markets' needs and wants. For the business to adapt to these changes, it must employ workers who are willing to adapt to change. Employees who can adapt to change are willing to learn new skills, take on additional responsibilities, and handle new challenges, which makes them desirable employees because they are not set in their ways or satisfied with maintaining the status quo.

SOURCE: Earning Income Grade 8
6. B
Maintain their professional certifications. Many professions—accounting, finance, medical, and education—require certification to work in their fields. Because these fields are always changing, workers are required to update their knowledge and skills to maintain their certifications. Continuing education often involves taking classes and attending seminars and workshops. Professionals are not required to take continuing education classes to improve their standard of living, demonstrate their emotional intelligence, or supplement their existing income.

SOURCE: Earning Income Grade 8

7. A
The rate of return doesn't keep up with inflation. Savings accounts earn low rates of return—usually not even enough to keep up with inflation. This causes the investor's money to lose buying power. Savings accounts do not require a minimum balance or incur penalties for withdrawing money early. Savings accounts are very low-risk investments, especially since they are insured by the FDIC.

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

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

SOURCE: Spending Grade 8

9. C
There are no hidden fees. An advantage of using cash as a payment method is the fact that there are no hidden fees. Disadvantages of using cash are that it can be inconvenient to carry cash, it does not help build credit, and there are no security benefits if it is stolen or lost. Paying solely with cash means not taking on debt, as you can only spend as much cash as you have.

SOURCE: Spending Grade 8

10. D
Salary. Salaries are money payments for labor. As a marketing strategist, Daniel receives money payments for his labor in the form of a yearly salary. A dividend is a sum of money paid to an investor or stockholder as earnings on an investment. An inheritance is money or other items of value that are passed from one person to another upon an individual's death. Interest is a money payment for the use of borrowed money.

SOURCE: Earning Income Grade 8
11. B

College education. Most new parents begin saving for their children’s college education after they are born, but some begin earlier. Tommy will likely have to pay for his own retirement and life insurance. As soon as he is born, Tommy will likely be put on his parents’ health insurance until he can afford his own.

SOURCE: Saving Grade 8

12. D

Savings account. A savings account allows you to earn interest on money you’ve put aside for the future. Savings accounts are generally easy to access, meaning you can deposit and withdraw money at your convenience. A savings account would best fit Rita’s needs as described in this example. A certificate of deposit allows you to invest money at a set interest rate for a set amount of time. A CD would likely not work for Rita since she would not be able to access the money while it is being invested. A money market account is similar to a savings account; however, they require the user to maintain a higher balance to avoid a monthly service fee. Rita’s part-time job earnings probably would not meet the requirements for a money market account balance. A checking account is an easy-access account for daily transactions. Most checking accounts do not offer interest earnings and so would not be appropriate for Rita in this example.

SOURCE: Saving Grade 8

13. C

Present yourself in a positive light but be honest. Your loan request will be denied if the lender finds out that you provided false information on the application; therefore, honesty is the best policy when applying for loans. You can present yourself positively by writing notes or comments to clarify questionable points on the application. Online applications should be completed with upper- and lowercase letters. All questions should be answered. If a question does not apply to you, write N/A on the form. Use of overly large letters will cramp the information into the spaces provided, thereby making it difficult to read the completed application.

SOURCE: Managing Credit Grade 8

14. B

Eric; higher. Eric has a worse record than Joan in terms of success in business, so he would receive a higher rate on his loan because he is a riskier investment for the bank. Joan is a more solid investment, so she would receive a lower interest rate. The bank would not charge Joan a high interest rate because she is a solid investment. The bank would also not charge Eric a low interest rate because of the risk associated with the repayment of his loan.

SOURCE: Managing Credit Grade 8
15. C
Credit allows consumers and businesses to purchase goods and services when they are needed. Credit is the arrangement by which businesses or individuals can purchase now and pay later. Credit enables people to purchase when products are needed and pay for them over a period of time, which is the key reason that credit is used. Credit is not a factor in leveling out income. Ultimately, income must pay for the credit purchases and cannot be stretched. Credit must be repaid.

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

16. B
Payroll tax. A payroll tax is a tax on employment, paid by both employers and employees. In the U.S., payroll taxes become trust funds for Social Security and Medicare. Excise taxes are taxes on products such as gasoline and alcohol; they are built into the product’s overall price. Property tax is a tax on property an individual or business owns, usually real estate. Sales tax is a tax on retail purchases.

SOURCE: Earning Income Grade 8
SOURCE: LAP-EC-072—Pay Your Share (Business Taxes)

17. A
Natural talent. Aptitudes are natural talents or abilities for learning specific skills. People usually consider their natural talents when identifying occupations, because their abilities are an indication of what type of work they will be able to do the best and enjoy the most. For example, a person with good hand skills who has the ability to attractively combine colors and materials might consider a career in design or visual merchandising. Mental health is a person's soundness of mind. Personal conduct is the way a person behaves. Social attitude is a person's point of view about society.

SOURCE: Earning Income Grade 8

18. C
The expected salaries of nurses and teachers. Career-information guides include specific information and statistics about jobs, including training required, working conditions, earnings, and prospects. However, a career-information guide would not necessarily include a firsthand account from a nurse or a teacher; Kit could set up a meeting to gain that information. A career-information guide would not include Kit's own aptitudes; she would need to take an aptitude test for that. Finally, a career guide would not necessarily include opportunities for networking. Kit would need to seek out those opportunities on her own.

SOURCE: Earning Income Grade 8

19. C
Copayment. A copayment, also known as a copay, is a set amount that a policyholder is responsible for paying when s/he sees a doctor, dentist, or other health care provider, while their health insurance company pays for the remainder of the bill. A premium is a fee paid to an insurance company for providing insurance protection. A deductible is the amount of money a person pays before their insurance begins to pay for expenses. Indemnity insurance protects the policyholder against significant damages or financial loss.

SOURCE: Managing Risk Grade 8
20. B
Be suspicious of unsolicited phone calls. Phishing refers to calls or emails used by thieves to gather personal information to steal your identity. When thieves use stolen mail, credit card information, or passwords to steal your identity, it is not considered an act of phishing.

SOURCE: Managing Risk Grade 8

21. C
Interest rate and loan length. Interest is the fee the lender charges the borrower for the use of the money, and the interest rate is the percentage figure used in calculating interest charges. The amount of interest is calculated by multiplying the amount of money being borrowed (the principal) times the interest rate times the length of time for which the loan is made. The length of time borrowers use to pay off loans plays an important role in determining the costs of credit. The faster a loan is repaid, the less interest is charged. Paychecks and lenders do not typically impact the cost of using credit.

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

22. B
Transferable. Transferable skills are those that can be used in more than one job. Employees who have transferable skills are often able to move up the career ladder because they have the skills necessary to handle different jobs. For example, employees who have good communication skills or management skills may be promoted because those skills are important in higher levels in a business. Also, they need less training to do their jobs because they already possess these skills. Compatible, intangible, and negotiable are not types of skills.

SOURCE: Earning Income Grade 8

23. B
Premium. An insurance premium is a fee paid to an insurance company for providing insurance protection. Insurance companies determine this fee by evaluating many factors relating to the customer to properly account for risk. These factors include age, gender, medical history, and occupation. An insurance copay is a flat fee that an individual pays for a covered health-care service. This fee varies depending on the insurance plan, but it is normally a set fee that is not determined by an individual's personal characteristics or history. An insurance deductible is the amount a customer must pay for medical services before their insurance company begins sharing the cost. The deductible amount is normally determined by the individual covered by the plan, and not by the insurance company. An insurance agent is a person who sells insurance policies. They are not typically assigned to a specific individual, nor are they typically assigned based on the individual's age, gender, medical history, or occupation.

SOURCE: Managing Risk Grade 8
24. B

Leadership skills. Leadership is the ability to guide or direct the actions of others in a desired manner. Employees who want to progress through the ranks of management should develop their leadership skills because they will be expected to supervise and lead their subordinates. Employees who demonstrate good leadership skills often are given more responsibility and authority over others. Employees who want to enhance their careers often develop their professional contacts rather than their social contacts. Job expectations are what employees hope to accomplish or achieve in their careers. Employees do not need to develop their artistic abilities in order to progress through the management ranks.

SOURCE: Earning Income Grade 8

25. B

4.4%. To determine the rate of return (percentage of interest earned), first subtract the deposit amount from the amount of money in the savings account at the end of the year, which indicates the amount of interest earned in dollars ($1,722.08 - $1,650 = $72.08). Then, divide the amount of interest earned in dollars by the original deposit amount to obtain the rate of return as a percentage ($72.08 ÷ $1,650 = .0436, which rounds to .044 [4.4%]).

SOURCE: Saving Grade 8

26. D

Use a mobile banking or budgeting app. Technology has made it easy to automatically track your financial transactions and access records of your financial activity. You can connect these apps to your bank accounts, and they will track everything for you. Saving your receipts and comparing them to your bank statement is not an automatic way to track withdrawals and deposits. Organizing your financial paperwork is a good idea, but it is not related to easily and automatically tracking your withdrawals and deposits. Making a list of all of your bills and when they are due is also a good idea, but it is not automatic.

SOURCE: Managing Risk Grade 8

27. D

Car payment. Car payments are typically set up as a fixed monthly payment amount. Electric bills can vary depending on the amount of energy used. The amount spent on groceries can vary greatly depending on the types of food purchased. The amount spent on gasoline would vary depending on the amount of travel.

SOURCE: Spending Grade 8
28. C
Educational. Some positions require a person to obtain more education and training than others. For example, in some countries, a person must go to a four-year college and then to law school to become a lawyer. Other positions require extensive technical or vocational training. In general, gender, intensity, and health requirements are not primary factors when considering different factors that affect career options and selection.

SOURCE: Earning Income Grade 8

29. A
Nonessential. The gum and the magazine are extras and, therefore, nonessential. An example of an essential expense would be paying the rent or car loans. Rent and car loans are also examples of fixed expenses. Variable expenses are also essential expenses, but they vary from month to month. Some examples are heating and electric bills and gasoline.

SOURCE: Spending Grade 8

30. A
Cover medical expenses. As a young professional, Abbie’s financial needs include her living expenses. Abbie also needs to save enough to cover medical expenses, which can be unexpected and costly. At Abbie’s stage of life, she does not need to retire within a few years or support beneficiaries. While investing is a good way to grow one’s money, there are many other investment options besides the stock market.

SOURCE: Saving Grade 8

31. D
Make his password a nonsense phrase. To create a strong and secure online password for his account, Parker should make his password a nonsense phrase. A secure password is one that cannot be easily guessed by others. If Parker's letter combinations in his password are not in the dictionary, in published literature, or grammatically correct, it will be harder for others to guess. Using numbers, symbols, uppercase letters, and lowercase letters can also make it more secure. A secure password is one that is long, one that does not contain personal information (such as a birthday, anniversary, pet name, etc.), and one that is not reused from another website.

SOURCE: Managing Risk Grade 8

32. D
Credit is often necessary to make large purchases. For most people, it is difficult to pay cash for large, expensive items, especially when just starting a new job, as in Philip’s case. Paying with credit can help Philip buy the car he needs. It is a good idea to build a good credit rating, but Philip’s situation is not specifically an example of this. Philip’s situation is not an example of how saving money is not an effective practice. It is also not an example of how credit is a marketing-information tool.

SOURCE: Managing Credit Grade 8
SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)
33. D
Trade publications. Trade publications are reliable sources of information for various professions (e.g., human resources) and industries (e.g., restaurant). Many professions and industries publish magazines and periodicals on a weekly or quarterly basis. Online articles are often available on a trade or professional organization's website. Online message boards and mailing lists may not provide the most relevant, accurate, or up-to-date information. Government periodicals may provide relevant information; however, archived information is usually older rather than up-to-date.

SOURCE: Earning Income Grade 8

34. C
Reassess the plan and modify it as needed. As much as we want to make a plan and stick to it, that isn't always possible when life constantly changes. That means the plan needs to receive modifications occasionally, especially when a big life event happens like having a baby. Financial plans do not need to be notarized. The new family member might render the original plan inaccurate or unfeasible. It might not be necessary to create a completely different financial plan from scratch when some modification to the original plan will suffice.

SOURCE: Spending Grade 8

35. C
A hot tub. Credit is the arrangement by which people can purchase now and pay later. Credit is often used for large purchases. Credit should be used for purchases that are necessary or provide value. For example, buying a house will give the buyer additional assets. Paying for an education will increase earning potential and represents good return on investment. Buying a car is often necessary to get to and from work, which provides compensation. Paying for a hot tub is not a wise use of credit, because it is a purchase made from a want rather than a need.

SOURCE: Spending Grade 8

36. A
Identity theft. Identity theft is the fraudulent acquisition and use of a person's private identifying information (e.g., name, Social Security number), usually for financial gain. Paper records that are thrown away can be a source of personal information. If a company does not shred old paper records, those records could be stolen, leading to identity theft. Shredding customer records does not prevent hacking, loss of market share, or data inaccuracy.

SOURCE: Managing Risk Grade 8
37. C

$10.67. Credit card companies using the adjusted balance method to charge interest only charge it on the principal balance that remains each month. To calculate how much total interest Rossi will pay during the initial two billing periods, first calculate the monthly interest rate by dividing the APR by the number of months in a year (24% [or 0.24] / 12 = 0.02). Then, multiply the monthly interest rate by the principal amount to determine the amount of interest charged for the first month (0.02 X $363 = $7.26). 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 − $7.26 = $192.74). 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 ($363 − $192.74 = $170.26). Calculate the interest charged for the second month (0.02 X $170.26 = $3.41). Add together the interest paid each month to determine the total interest Rossi will pay during the first two billing periods ($7.26 + $3.41 = $10.67).

SOURCE: Managing Credit Grade 8


38. B

Banks. Banks and other financial institutions function as a conduit between those who wish to save money (and earn interest) and those who need to borrow it (and are willing and able to pay interest). Property holders are the owners of property, such as buildings or land. While some nonprofit organizations deal with saving and borrowing, that is not the definition of nonprofit, which means the organization's revenue goes to support the organization's mission. Income-tax preparers calculate taxes for clients.

SOURCE: Saving Grade 8


39. A

Stock fund. A stock fund, also known as an equity fund, is a pool of shareholders’ money invested in different types of stocks. Because stock markets can be volatile, stock funds also carry greater risk. A bond fund is a pool of shareholders’ money invested in bonds. A bond fund is generally more stable than a stock fund. A money market fund is a pool of shareholders’ money that is invested in securities over a short amount of time. They are low risk because of the short time frame. A balanced fund, which is a mixture of stocks and bonds, is lower risk because of the diversification of the fund.

SOURCE: Investing Grade 8


40. C

Progressive. In a progressive income tax system, those who have a higher income pay a larger percentage of their income to the government. In a regressive tax system, those who have a higher income pay a comparatively smaller percentage of their income as tax than those who have a smaller income. In a proportional tax system, all individuals of all incomes pay the same proportion of their incomes to the government. In a flat tax system, all individuals pay the same amount to the government regardless of their income.

SOURCE: Earning Income Grade 8

SOURCE: LAP-EC-072—Pay Your Share (Business Taxes)
41. C

   Risk taking. Risk taking refers to the understanding and acceptance of not knowing the outcome of one's actions or circumstances. Flexibility refers to the ability to adapt to changes as they occur. Self-discipline is the ability to train yourself to act in ways that will further your goals. Creativity is the ability to generate unique ideas, goods, or services.

   SOURCE: Managing Risk Grade 8
   SOURCE: LAP-PD-066—Own Your Own (Career Opportunities in Entrepreneurship)

42. D

   Unlimited. Wants are considered unlimited because when one want is satisfied, there is at least one other waiting to take its place. Competing wants exist when people want more than one thing at a time and often must choose what they want more. Wants vary because, just as people are different, so are the things they want. Noneconomic wants are wants that can be satisfied without spending money.

   SOURCE: Saving Grade 8
   SOURCE: LAP-EC-902—Get the Goods on Goods and Services (Economic Goods and Services)

43. A

   Mutual funds don't allow intraday trades or short selling. An investor who desires to actively trade their investments should choose ETFs, because ETFs allow them to use intraday trades, limit orders, and sell short. These types of actions are not possible with mutual funds that cannot be traded during open stock exchange hours; instead, their price is set at the end of each trading day. ETFs provide more access to small industries or niche markets than mutual funds typically do. Both ETFs and mutual funds are professionally managed portfolios containing a mix of stocks, commodities, and/or bonds.

   SOURCE: Investing Grade 8

44. C

   Capitalize on their strengths. Employees should seek positions that capitalize on their strengths and minimize their weaknesses. This makes them more efficient, satisfied, and successful and makes their employers and coworkers happy as well. Employees should never minimize their strengths or experience.

   SOURCE: Earning Income Grade 8

45. D

   Career. A career describes a lifetime work history or long-term participation in a particular field of expertise. Louise has had a career in writing. A job is one specific paid position with tasks set by an employer, such as writing an advice column for a newspaper. Though Louise has held many jobs over her life, she is discussing a pattern of jobs and experience that have formed her career. An occupation is a group of related tasks that requires special training, education, or experience to learn a specific set of skills. Louise's occupation is writer, but the things she describes combine to form her career. If Louise were discussing her work environment, she would be discussing the surroundings and conditions of her workplace, such as a small home office.

   SOURCE: Earning Income Grade 8
46. C
18%. Deposit-taking financial institutions offer savings accounts for their customers. To determine the percentage of increase in savings-account deposits for the week, subtract the beginning amount from the ending amount to obtain the difference or dollar-amount increase ($1,482,998 - $1,256,778 = $226,220). The bank's customers deposited $226,220 into their savings accounts during the week. Then, divide the increased amount by the beginning amount of savings to get the percentage of increase in savings-account funds ($226,220 / $1,256,778 = .17999 or .18 or 18%).

SOURCE: Saving Grade 8

47. B
$1,575. To calculate the amount that Max's savings account will earn in 5 years, first find the amount of interest that Max will accumulate by multiplying the interest rate by the deposit by the time (1% X $1,500 X 5 = $75). Next, add the interest to the initial deposit ($1,500 + 75 = $1,575).

SOURCE: Investing Grade 8

48. A
A federal grant to attend college. A transfer payment is a one-way payment with no exchange of goods or services. It generally flows from the government to individuals. When the federal government gives grants to students to attend college, nothing is needed in return; therefore, this is a transfer payment. Tax breaks, dividends, and loan payments are not examples of transfer payments.

SOURCE: Earning Income Grade 8

49. C
Financially. Automobile insurance protects you financially by helping reduce the amount of money you need to pay out of pocket for repairs, damages, theft, etc. Because she has automobile insurance, Raina didn't have to pay as much to repair the damage to her car from the hailstorm. Automobile insurance can help protect you by reducing medical bills and legal fees in the event of an accident, but these protections are not demonstrated in this example. Automobile insurance does not protect you culturally.

SOURCE: Managing Risk Grade 8
50. D
Saving money for unexpected situations. Financial goals are objectives measured in terms of money. Setting financial goals involves financial planning, which is the determination of how to achieve the financial goals. An important aspect of financial planning involves saving money for unexpected situations. Saving money for unexpected situations provides you with funds to pay your bills if you are unable to earn an income for some reason, such as job loss or illness. Obtaining and using several credit cards is problematic if you cannot pay the balances due in a timely manner. The level of investment risk depends on many factors including the individual’s comfort level with risk, income level, and age. Financial goals should be specific rather than broad.

SOURCE: Managing Risk Grade 8

51. B
$1,039. Individuals and businesses purchase various types of insurance policies. Automobile insurance covers damages related to motor vehicles. The deductible is the amount of money the insured must pay out of pocket. After the deductible has been met, the insurance company pays the balance of the damages. To calculate the amount that the insurance company will pay, subtract William’s deductible from the total amount due for the car repairs ($1,789 − $750 = $1,039).

SOURCE: Managing Risk Grade 8

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

SOURCE: Spending Grade 8

53. D
Graduated repayment. A graduated repayment plan is typically a shorter-term plan where monthly payments begin smaller but gradually increase on an annual or biannual basis. A standard repayment plan involves a fixed fee over a set period of time until the loan is paid off. Jerian’s plan includes a payment that increases yearly; therefore, it is not a fixed fee. An income-driven plan is a plan that is based on a post-graduate’s income. This typically involves paying a certain percentage of one’s income. There is no indication Jerian is paying a specific percentage of his income. A consolidation plan is a repayment plan that combines multiple federal loans into one, averaging the interest rates from the different loans.

SOURCE: Managing Credit Grade 8
54. A
Employers pay a matching amount of employees’ Social Security and Medicare taxes. Employment taxes, called payroll taxes, require employers and employees to pay matching amounts into Social Security and Medicare trust funds. This tax is required; employers may not “opt out.” Employers must pay taxes on every employee who makes a certain amount each year—not necessarily full-time employees only. The payroll tax is calculated as a percentage of each employee’s wages. Since different employees earn different amounts, the amounts that are owed will vary.

SOURCE: Earning Income Grade 8
SOURCE: LAP-EC-072—Pay Your Share (Business Taxes)

55. D
Late fee. Credit card issuers often charge late fees for payments that do not arrive on time. Some credit card issuers charge application fees, which involves billing a customer for applying for credit. Processing fees are charges to complete certain activities. Over-limit fees are charges applied for credit transactions that go over or exceed the cardholder’s credit limit.

SOURCE: Managing Credit Grade 8

56. A
Invest the money so he will earn interest. The time value of money is a concept that explains why money is more valuable today than it will be in the future. This is because you can invest money and generate interest. The sooner you do so, the more interest you will make. To take advantage of the time value of money, Asher should invest his money to earn interest. Spending the money later will not help Asher avoid inflation. Storing the money in his sock drawer will prevent Asher from earning interest. Spending part of the money now and saving part for later is not related to the time value of money.

SOURCE: Investing Grade 8

57. C
Selecting a credit card provider. Comparison shopping will help you determine which credit card providers offer the lowest interest rates and have minimal transaction fees. Doing some research before applying for and accepting the terms of a credit card can help you save money on credit. Credit bureaus collect your credit history to calculate your credit rating (score). Banks prepare your bank statements, and lending institutions assess the loan applications that applicants complete.

SOURCE: Managing Credit Grade 8
SOURCE: Saving Grade 12

58. C
Increase sales. Credit encourages customers to buy more freely, which helps the business extending credit to increase its sales. Companies also offer credit as a way of gaining new business and ultimately increasing profits. Offering credit will increase expenses, but additional sales from credit transactions may be worth this additional cost. Liabilities and assets are not usually affected by the extension of credit.

SOURCE: Managing Credit Grade 8
SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)
59. B
Using unique log-in credentials. A consumer can safeguard their information while using online and mobile banking by using unique log-in credentials. Your log-in credentials (username, pin, password, etc.) for your mobile or online banking should not be the same as your log-in credentials for your email, social media accounts, work accounts, etc. By keeping your log-in credentials unique, it will make them more secure from hackers. You should never save a password in your phone notes, as it will give someone easy access to your accounts if they have access to your phone. You should change passwords periodically for online or mobile banking to ensure security. You should always log out completely when finished with a banking session. Although some mobile or online banking services automatically log out once you close the app or web page, you should always take initiative to hit the log out button, just in case.

SOURCE: Managing Risk Grade 8

60. A
Like getting a free loan if you pay the balance each month. When you pay the balance on a credit card each month, you are getting what amounts to a free loan. A credit card is not a good way to pay for impulse purchases—impulse purchases are usually a bad idea no matter how you pay for them. Credit cards are not an inexpensive way to borrow money for an extended period. Nowadays, easy access to credit cards is a growing problem.

SOURCE: Managing Credit Grade 8

61. A
Has a proven record of accomplishments. Seniority is the length of time an employee has worked for an employer. An employee with more seniority has worked for the company for a longer period of time than an employee with less seniority. Because an employee with seniority has worked for a longer period of time, they have established a reputation and have a proven record of work-related accomplishments. The company decides which accomplishments are factors to consider when promoting employees. Accomplishments might include the ability to reach or exceed goals, the ability to consistently complete tasks on or ahead of time, the willingness to cooperate and work well with others, and the desire to develop technological skills.

SOURCE: Earning Income Grade 8

62. A
Owners do not stay current with technology and professional development. Entrepreneurs who do not keep up with trends, technology, and development opportunities in their industry run the risk of falling behind their competitors. As a result, the competitors who keep up with the latest developments might be able to provide goods and services that others are unable to provide because of the lack of training and/or knowledge. Employee performance does impact the success of a business; however, employee references do not necessarily determine the ability and attitude of a staff member in relation to job performance. There are many resources available from which business owners can obtain information and professional development. Much of this information can be found on the Internet. Requiring employees to take aptitude tests does not contribute to business failure. To determine if an individual is qualified to perform a job, the employer must know the employee’s abilities. For example, a person who wants to be an administrative assistant might need to type proficiently on a keyboard. Therefore, the employer might administer a typing test to determine the speed and accuracy of the individual’s typing abilities.

SOURCE: Earning Income Grade 8
SOURCE: LAP-PD-066—Own Your Own (Career Opportunities in Entrepreneurship)
63. D  
Mutual fund. A mutual fund is a combination of stocks from different corporations or agencies. One benefit of investing in mutual funds is access to the expertise of the fund's manager, who is directly responsible for deciding which investments best meet the mutual fund's stated purpose. Investing in real estate, money market accounts, and bonds does not use a manager who is responsible for deciding which investments to pursue.

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

64. B  
Health insurance. Payroll deductions are monies that an employer withholds from an employee's gross earnings. A large portion of the deductions is the various income taxes, which the employer pays to the government on behalf of the employee. Other deductions might include health insurance premiums, voluntary savings, and child-support payments. Net pay is the amount the employee receives in their paycheck after the deductions have been subtracted from the gross earnings. Gross earnings are income before deductions. Overtime hours are the number of hours an employee works over their regular schedule. Pay rate is the amount of pay a worker earns at a set interval (e.g., an hour).

SOURCE: Earning Income Grade 8  

65. B  
Account balance requirement. Financial institutions often require customers to maintain a certain amount of money in their bank accounts. The account holder may be charged fees if the minimal account balance requirements are not met. Direct payroll deposit, overdraft protection, and online transaction options are benefits or services that many types of checking account products offer that customers may need to pay fees to obtain.

SOURCE: Saving Grade 8  

66. B  
$5,512.50. The formula for calculating future value is Future Value = Present Value X (1 + Interest Rate)^number of periods. To calculate the future value of Yazmin's investment, first add one to the interest rate (1 + 0.05 = 1.05). Then square that sum, which is the same as multiplying that sum by itself (1.05X = 1.05 X 1.05 = 1.1025). Finally, multiply the product by the original investment to determine the value of Yazmin's investment in two years (5,000 X 1.1025 = $5,512.50).

SOURCE: Investing Grade 8  

67. B  
Bonds must be repaid over time. When companies issue bonds, they essentially receive a loan from investors that must be repaid over time, whereas stocks are not repaid. Rather, stockholders receive dividends (shares in the company's profits). Bonds, rather than stocks, include interest payments. Issuing both bonds and stocks helps companies grow. Finally, bonds are generally safer than stocks.

SOURCE: Investing Grade 8  
68. A

Expected return. Risk is the possibility of loss. When individuals invest, they take the risk that the investment will not be successful. However, individuals often are willing to take that risk because of the expected return, or what they hope to receive. For example, the possibility of making a lot of money on an investment, also known as the return, is what motivates individuals to take the risk of investing. There are no financial guarantees or insurance associated with investing. Individuals risk investing because they hope to earn high interest rather than low interest.

SOURCE: Investing Grade 8


69. B

Income. Level of income might affect a customer's application for credit. Income is important because it indicates an ability to repay a loan. To consider an applicant's gender, race, or height would be discriminatory and irrelevant.

SOURCE: Managing Credit Grade 8

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

70. A

20 high-growth stocks in different industries. Choosing 20 stocks in different industries is the most diversified approach since the risk is spread across many different types of companies and markets. A stock portfolio containing 5 stocks lacks diversification since the number of investments is quite small. A portfolio with 15 stocks within a single industry, such as technology, lacks diversity because it only gains exposure to one type of market.

SOURCE: Investing Grade 8


71. B

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

SOURCE: Saving Grade 8

72. D
Commercial banks. Commercial banks are full-service banks offering a variety of banking services, including checking and savings accounts, secured and unsecured loans, installment credit, and bank credit cards. Investment banks, on the other hand, are firms that specialize in helping corporations and governments issue securities. Investment banks also aid in complicated financial matters such as mergers and acquisitions. A brokerage house is a firm that offers various investing services, such as securities trading, research analysis, and advice. It may also offer checking accounts. An insurance company is a firm that provides insurance and assumes the risk covered in the policy.

SOURCE: Saving Grade 8

73. A
Basic job experience. Entry-level jobs provide a starting point for an individual interested in pursuing a particular career. Many fields are very competitive, and by taking an entry-level job, a worker can gain valuable experience and training. An employee who performs well in the entry-level position could advance to many other positions within the company. Most entry-level jobs do not pay high salaries.

SOURCE: Earning Income Grade 8

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

SOURCE: Spending Grade 8

75. B
Provides protection against financial losses. Insurance is designed to protect against financial losses, whether those losses are related to property, health, or even life. Insurance does not protect a person from unethical salespeople or guarantee a solid financial future. Insurance is available to property owners and non-owners alike.

SOURCE: Managing Risk Grade 8

76. C
A guaranteed return on investment. Bonds are lending investments in which individuals lend money to a government, municipality, or corporation to earn a set rate of interest for a specified time period. Bondholders know that they will be paid a certain sum at a specified time in the future. Both bonds and stocks can be bought and sold at different prices. Interest rates can affect both the stock and bond markets. Bondholders do not have an ownership interest in the corporation that issued the bonds, but stockholders own a part of the issuing corporation.

SOURCE: Investing Grade 8
77. C

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

SOURCE: Saving Grade 8

78. A

A deposit-taking institution's primary liabilities are checking accounts, savings accounts, money market accounts, and certificates of deposit. Deposit-taking institutions such as commercial banks are one type of financial institution. Deposit-taking institutions serve as financial intermediaries. Savers deposit their funds in depository institutions, and then these deposit-taking institutions lend the funds to individuals and firms who need to borrow money. Checking accounts, savings accounts, money market accounts, and certificates of deposit are liabilities for deposit-taking institutions. Essentially, the funds deposited in these accounts are loans made to the institution by individuals, firms, and the government. When a saver deposits funds in a deposit-taking institution, they receive a claim on their bank account, not the individual or firm who borrows those funds from the bank. The Small Business Administration and the Federal Housing Administration are examples of government and semigovernment financial institutions. Mutual savings banks and savings and loan associations are types of thrifts, not commercial banks.

SOURCE: Saving Grade 8

79. B

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

SOURCE: Saving Grade 8
80. B

Spending patterns. A budget is an estimate of what income and expenses will be for a specific time period. The expense section of a budget helps individuals review their spending patterns, which are the ways that they spend money. For example, a budget might indicate that a lot of money was being spent on convenience foods or casual clothing. This indicates a spending pattern that may need to be changed depending on the amount of income. Developing a personal budget will not enable individuals to review their insurance policy coverage, investment plans, or bank statements.

SOURCE: Spending Grade 8

81. C

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

SOURCE: Investing Grade 8

82. C

Gross pay; deductions. To calculate an employee's net (or take-home) pay, you subtract deductions (such as tax or health insurance premiums) from the employee's gross pay (their total amount of earned income before deductions). Therefore, an employee's net pay is the difference between their gross pay and deductions. Garnishments are mandatory deductions withheld to pay off some debt.

SOURCE: Earning Income Grade 8

83. D

To move up the career ladder. Employees who continue their training and education often are rewarded with promotions and increased job responsibilities that enable them to move up the career ladder. Many businesses pay the tuition for employees who continue their education because trained workers are a valuable asset to businesses. The benefit to the employees for continuing to learn is career advancement, higher salaries, and job security. Most people focus on a particular occupation and do not change frequently. Employees do not continue their training in order to impress friends and coworkers. Businesses expect people to have basic job information before being hired.

SOURCE: Earning Income Grade 8
84. A
Performance better in your current job. Knowing your strengths and weaknesses gives you the ability to apply your talents where they are best used, which in turn help you perform better in your current job. Knowing your strengths and weaknesses will not necessarily help you make the right decision every time, obtain any job you want, or receive a raise each year.
SOURCE: Earning Income Grade 8

85. B
Debit card. A debit card is a plastic card issued by banks that enables the cardholder to make purchases with money directly from a checking account. A credit card is a plastic card issued by banks that enables the cardholder to make purchases using credit. Cash is currency and coins. Collateral is anything of value belonging to the borrower that is pledged to the lender to guarantee that the loan will be repaid. Credit cards, cash, and collateral are not typically connected to checking accounts.
SOURCE: Spending Grade 8

86. D
Penalty. A penalty is a punishment. The government depends on income tax to support public programs. When people do not provide income tax information when it is needed, the government often imposes a penalty, usually a fine or fee. Ongoing failure to report income can result in imprisonment. The government does not offer a refund or allowance for missing an important deadline. However, a person can file for an extension to avoid being penalized for missing a filing deadline.
SOURCE: Earning Income Grade 8

87. D
Have lower startup costs. The initial cost of business startups depends on a number of variables. One factor that influences startup expense is work space. Because a home-based business is run from the business owner's residential dwelling, it lowers the cost by not having to rent space or build a facility. Entrepreneurial ventures do not guarantee steady income or higher profit margins. The degree of professional training depends on the type of business the entrepreneur is running. Therefore, it cannot be assumed that most home-based business owners require less technical training.
SOURCE: Earning Income Grade 8
SOURCE: LAP-PD-066—Own Your Own (Career Opportunities in Entrepreneurship)

88. D
Accounts in Kevin's name that he doesn't remember opening. Your credit report contains a section where all accounts in your name are listed. It's important to review these accounts on a regular basis to ensure that they are authentic. Accounts in your name that you don't remember opening are a major red flag for identity theft. "Soft" inquiries are not signs of identity theft as long as you can attribute them to sources that you recognize. Incorrect or outdated address and employer information is not usually a sign of suspicious activity, either. Usually, incorrect information simply means you need to update your personal details with your credit lenders. Similarly, negative information outside the credit reporting time limit does not usually indicate suspicious behavior; it simply means that you need to follow up with your credit lenders or the credit reporting agency.
SOURCE: Managing Risk Grade 8
89. D

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

SOURCE: Spending Grade 8


90. D

Present value, interest rate, length of time in years, and number of compounding periods of interest per year. The formula for the future value of money is Future Value = Present Value \times (1 + \frac{i}{n})^{(n \times t)} where i = the interest rate, n = the number of compounding periods of interest per year, and t = the number of years between the present and the specified future date. The future value of money helps you determine how much a current amount of money will grow over a specified amount of time. If, for example, you invest \$100 at a fixed rate today, you can use the future value of money formula to determine how much that \$100 will increase by a specific date in the future. You do not need a credit score, the rate of inflation, or the return on investment to calculate the future value of money.

SOURCE: Investing Grade 8


91. C

Convenience. Credit allows businesses and consumers to pay for several different purchases at one time with a single payment. It reduces the need to carry cash and provides the convenience of ordering online or by phone. Collateral is anything of value belonging to the borrower which is pledged to the lender to guarantee that the loan will be repaid. Interest is the fee which lenders charge borrowers for the use of credit. Credit does not provide reassurance.

SOURCE: Spending Grade 8

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

92. A

23-year-old saving and investing for retirement. A person in their 20s benefits from high-risk investments because they can afford losses that may occur in the short term and are likely to benefit from large gains in the long term. Since a person saving for a car or tuition will need the funds within a few years, a risky investment is a poor choice. A 60-year-old near retirement should typically avoid a high-risk investment since they will not have time to recoup any major losses.

SOURCE: Investing Grade 8

93. D
Annual percentage rate. The annual percentage rate (APR) is the interest paid on the portion of the bill Sheila does not pay each month. An annual fee is a once-a-year payment made to the credit card company that permits the person to use the company’s credit card. A late fee is issued when a person does not submit any payment at all by the monthly due date. An overdraft fee is charged by a bank when a customer writes a check for more money than is in their checking account.

SOURCE: Managing Credit Grade 8

94. D
Transferring. A risk is reduced or eliminated by transferring, or shifting, the risk factor to some other person or business. When an employee is bonded, their employer has purchased an insurance policy to cover possible theft or loss involving that employee. Hiring security guards is an example of preventing the risk. If the business takes no precautions, then it is retaining, or keeping, the risk.

SOURCE: Managing Risk Grade 8
SOURCE: LAP-EC-003—Lose, Win, or Draw (Business Risk)

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

SOURCE: Spending Grade 8

96. C
Character. In the loan realm, character refers to the reputation of the borrower. Banks and other lenders want to make sure that the borrower will be able to repay the debt. To evaluate the borrower’s character, lenders might evaluate credit history. Collateral, capacity, and capital are other categories that lenders assess during the credit application process, but they do not involve the reputation of the borrower.

SOURCE: Managing Credit Grade 8
SOURCE: Segal, T. (2023, March 17). *5 Cs of credit: What they are, how they’re used, and which is most important.* Retrieved August 30, 2023, from https://www.investopedia.com/terms/f/five-c-credit.asp

97. B
Debt. Debt is the money owed by a business or individual to others. If someone does not pay money back to the person they borrowed from, they are indebted to that person. This debt could appear on a credit report and cause potential borrowing problems. A discount is a deduction from the price of goods. Credit is the arrangement by which businesses or individuals can purchase now and pay later. Assets are anything of value that a business or individual owns.

SOURCE: Managing Credit Grade 8
SOURCE: Irby, L. (2022, March 18). *12 possible reasons your credit card application was denied.* Retrieved August 30, 2023, from https://www.thebalance.com/denied-credit-card-application-960247
98. B

Calculate how much she can afford to pay on the card each month. When making the decision whether or not to use a credit card, it’s important to determine how a credit card payment would fit into your personal budget so you can pay the debt in a responsible manner. It’s not advisable to use all the credit offered by a credit card company, because large balances are difficult to pay, and a high debt-to-credit ratio can result in a poor credit score. Experts do not recommend using savings and emergency funds to pay credit card expenses.

SOURCE: Managing Credit Grade 8

99. B

Interest rates. The value of your money changes over time due to many factors— inflation, interest rates, compounding, and even tax rates. That's why it's so important to save and invest wisely. The time value of money is not influenced by financial needs, banks, or world events.

SOURCE: Investing Grade 8

100. C

Injuries you cause to someone else in a car accident. Bodily injury liability coverage is included in most typical auto insurance policies, as it applies to injuries that you, the policyholder, or the designated driver cause to someone else. If someone is injured during an accident you are at fault for, bodily injury liability coverage will help protect you in case the injured person tries to sue you. Other typical expenses auto insurance covers are an injury to the driver or passengers of the policyholder’s car, damage you or someone else causes to someone else's property, damage to your car from a collision, or damage caused from fires, hail, etc. Water leaking from the roof of your garage, personal belongings stolen from your car, and damage to the stereo system you installed in your car are not covered in a typical auto insurance policy. Water leaking from the roof of your garage is something that renters or homeowners insurance will cover. Although your personal belongings were in your car, they are not typically covered by an auto insurance policy. Personal belongings are considered your personal property, so they would typically be covered in a renters or homeowners insurance policy. To cover a stereo system or another accessory you installed or added to your car, you would most likely need to purchase supplemental coverage.

SOURCE: Managing Risk Grade 8