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- Question 1** When a person declares bankruptcy that fact will appear on the person's credit report
- Answer A for a 3 year period.
 - Answer B for a 10 year period.
 - Answer C until the person repays all debts owed.
 - Answer D until the person is able to receive a new credit card.
- Question 2** To qualify for a Federal Housing Administration (FHA) loan, a person must generally
- Answer A have at least a high school diploma.
 - Answer B have one-quarter of the cost of the home for a down-payment.
 - Answer C fulfill income guidelines.
 - Answer D provide two individuals to co-sign the loan.
- Question 3** A person has three credit cards with very large outstanding balances and is unable to make payments on any of them. Which action should the person take?
- Answer A Notify a credit reporting agency in order to avoid a late fee.
 - Answer B File for bankruptcy in order to maintain ones current credit score.
 - Answer C Notify the credit card companies in order to negotiate a new payment plan.
 - Answer D Contact the Internal Revenue Service in order to avoid paying income tax this year.
- Question 4** When a person brings an item to a pawnshop to obtain cash, the transaction is considered
- Answer A a collateralized loan.
 - Answer B a custodial payment.
 - Answer C an unsecured loan.
 - Answer D a sales agreement.
- Question 5** What is meant by an uncollateralized loan?
- Answer A A loan not backed by a co-signer who agrees to

cover the amount of the loan.

Answer B A personal loan without assets to cover the loan amount.

Answer C A home equity loan.

Answer D A loan taken on a life insurance policy.

Question 6 Which of the following does the Federal Reserve use to regulate the nation's money supply?

Answer A Fiscal policy

Answer B Proposing legislation

Answer C Monetary policy

Answer D Regulations

Question 7 A high school student has begun to investigate the field of finance as a career choice. In deciding about the field, the student should focus on which question first?

Answer A Will I find a balance between financial rewards and personal satisfaction from work?

Answer B How many people do I know who work in this field?

Answer C Once I train for this area, how long before I will be at the top of the field?

Answer D Are there people in this field who are dissatisfied with their jobs?

Question 8 To make sure you will always remember your automated teller machine (ATM) card personal identification number (PIN), you should write the PIN and keep it:

Answer A In your wallet

Answer B In your checkbook

Answer C On your ATM card

Answer D In a secure place at home

Question 9 The primary sources of income for most people between the ages of 20 and 35 who are not living on a pension or social security are:

Answer A Profits from business

Answer B Dividends and interest

- Answer C Rents
Answer D Salaries, wages, and tips

Question 10 A person's debt ratio shows the relationship between debt and net worth. The lower the ratio the

- Answer A better off financially the person is.
Answer B worse off financially the person is.
Answer C more liquid assets the person has.
Answer D less liquid assets the person has.

Question 11 A man budgeted \$200 a month for clothing. This month the man spent \$150 on clothing therefore that budget item is considered to have

- Answer A an outflow deficit.
Answer B an income overage.
Answer C a budget variance.
Answer D a budget deficit.

Question 12 One of the benefits of holding an investment for over a year rather than selling it in less than a year is that the

- Answer A capital gains on the investment will be taxed at a lower rate.
Answer B fees will not be charged by brokers for selling the investment.
Answer C money earned on the investment will be considered tax-free.
Answer D profits on the investment can be averaged over the length of time the investment is held.

Question 13 A person complains about how expensive it is to be a cigarette smoker. One of the reasons cigarettes are so expensive is that

- Answer A the tobacco supply is controlled by the Federal Trade Commission (FTC).
Answer B the tobacco industry imports most of the tobacco.
Answer C their cost is controlled by the Food and Drug Administration (FDA).
Answer D the government imposes an excise tax on them.

Question 14 After five years of owning a Roth Individual Retirement Account (IRA), a person wants to buy his first home, the person can withdraw money from the Roth IRA

- Answer A tax and penalty free.
- Answer B but must pay a set penalty at the time of withdrawal.
- Answer C and have penalties deferred until retirement.
- Answer D and owed taxes are deferred until retirement.

Question 15 A company offers a defined-contribution pension plan which means that upon retirement the employee will receive

- Answer A one-half of the employee's last year's salary.
- Answer B the total amount of money contributed plus investment earnings.
- Answer C an amount of money based only on the length of time the employee worked for the company.
- Answer D a specified amount of money based totally on the profit earned by the company while the employee worked there.

Question 16 A person owns a stock that pays a \$2.00 a share dividend. If the person chooses to reinvest that dividend, this means that the \$2.00 will go toward buying

- Answer A more of the same stock.
- Answer B stocks that are similar to those already owned.
- Answer C preferred stock in the corporation.
- Answer D bonds in the corporation.

Question 17 Before the Kiss Corporation can issue stocks or bonds, it must register the issue with:

- Answer A Its Board of Directors
- Answer B The Federal Reserve
- Answer C The World Bank
- Answer D The Securities and Exchange Commission (SEC)

Question 18 What is the largest equities market in the world?

- Answer A American Stock Exchange (AMEX)
- Answer B NASDAQ market
- Answer C New York Stock Exchange (NYSE)
- Answer D Over-the-counter (OTC) market

Question 19 Using a brokerage firm, a qualified investor buys 1000 shares of a common stock at \$50 a share on 50% margin. This means that the

- Answer A investor will pay only \$5000 for the shares.
- Answer B investor is buying 2000 shares.
- Answer C brokerage firm is lending the investor 50% of the money.
- Answer D brokerage firm will own 50% of the 1000 shares of stock that were purchased.

Question 20 As an investment, a person decides to buy a small house that has three rental apartments. The profits from this investment may be lower than expected if the

- Answer A tenant in an apartment decides to paint the hallways.
- Answer B mortgage on the house is paid off.
- Answer C taxes on the house are lowered.
- Answer D one of the apartments is not rented.

Question 21 To determine the time value of depositing \$100 in a savings account, a person needs to know the interest rate and

- Answer A her total income.
- Answer B the rate of inflation.
- Answer C whether the account is FDIC protected.
- Answer D whether the bank offers overdraft protection.

Question 22 Which investment would you choose today if you believe interest rates will go up?

- Answer A Long-term bonds
- Answer B Variable-rate loans
- Answer C Short-term savings instruments
- Answer D Stocks

Question 23 Which type of financial institution usually pays the highest rate of interest on savings account

balances?

- Answer A Savings and loan associations
- Answer B Commercial banks
- Answer C Credit unions
- Answer D Investment firm money market accounts

Question 24 A person is convinced that a lending institution is charging too much interest for a loan. This person should be aware that

- Answer A there are state usury laws.
- Answer B lending institutions all have their rates of interest set by the SEC.
- Answer C interest rates depend entirely on the borrower's ability to pay back the loan.
- Answer D the Federal Trade Commission has laws against intimidating borrowers.

Question 25 Lamar believes that interest rates are going to fall in the near future and remain low for a considerable period of time. She should invest in:

- Answer A Nothing, she should put her money under her mattress
- Answer B A variable rate certificate of deposit
- Answer C A long-term, fixed rate certificate of deposit
- Answer D A short-term, fixed rate certificate of deposit

Question 26 For the past five years, a person has had a \$20,000 whole life insurance policy that has a cash value clause. The person decides to surrender the policy. At the time of surrender, the person will receive

- Answer A one-fifth of the \$20,000 face value.
- Answer B \$20,000 less the premiums paid.
- Answer C a calculated amount of money which includes the premiums paid as well as the interest on that money.
- Answer D a calculated amount of money that must be converted to a term life insurance policy.

Question 27 A person buys a flat screen, plasma, theater-like television. The person has homeowner's insurance. Why would it be appropriate to add a personal property floater to that insurance?

- Answer A To reduce the premium on the homeowner's insurance.
- Answer B To protect the person who owns the television from liability for damages.
- Answer C To show the insurance company a good faith investment has been made.
- Answer D To cover the cost of replacement should the television get damaged or stolen.

Question 28 A woman has just received a very expensive piece of jewelry. The woman has homeowner's insurance. Which statement would it be most appropriate for her to make to her insurance agent?

- Answer A "I think I need a personal property floater."
- Answer B "I think I should get speculative risk insurance."
- Answer C "I will deduct the cost of the jewelry from my premium."
- Answer D "I realize that if this jewelry is stolen it will be considered vicarious liability."

Question 29 Generally, the higher the deductible on an insurance policy, the

- Answer A greater the premium.
- Answer B lower the premium.
- Answer C more frequently the premium has to be paid.
- Answer D less frequently the premium has to be paid.

Question 30 John's job provided the main income for his family. He died unexpectedly and had no life insurance. The probable financial consequence for his wife and two children does not include:

- Answer A The loss of John's income
- Answer B A reduction in the family's standard of living
- Answer C Death-related expenses to be paid
- Answer D An increase in income and expenses

Question 31 If a person makes a deposit of \$10,000 or more into a bank account, the bank must notify the

- Answer A US Treasury Department.
- Answer B Federal Deposit Insurance Corporation. (FDIC).

Answer C State Banking Commission.

Answer D Federal Reserve Board.

Question 32 Financial services and products generally offered by banks and credit unions include:

Answer A Real estate listings

Answer B Savings and loans

Answer C Legal services

Answer D Business plans

Question 33 Employees prefer direct deposits because:

Answer A There is a small fee for the service

Answer B The danger of losing a paycheck is slightly reduced

Answer C The money is generally deposited in their checking account sooner than it would be if they had to deposit it in person

Answer D Direct deposits earn a higher rate of interest

Question 34 Which is the best example of a way to reduce fees paid for ATM transactions?

Answer A When making supermarket purchases with a debit card, a person adds \$50 in cash to the transaction instead of using an ATM machine.

Answer B When using an ATM machine, a person takes only \$20 each time out of the ATM machine located in a neighborhood store.

Answer C A person uses any nearby bank ATM machine rather than going to a branch of the issuing bank to make ATM withdrawals.

Answer D A person uses any convenient ATM machine but only at night and on the weekends.

Question 35 The financial institution where Ms. Sanchez has her checking account will continue to pay out money for the checks she writes as long as:

Answer A She uses checks from her checkbook

Answer B The financial institution has sufficient funds

Answer C There is enough money in Ms. Sanchez's account to cover the amount of the checks

Answer D She maintains a good record of deposits and handles her account responsibly

