



Competency-Based
Competitive Events
Written Exam
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Test Number 1314
Booklet Number _____

Personal Financial Literacy Exam

PFL – Personal Financial Literacy Event

INSTRUCTIONS: This is a timed, comprehensive exam for the occupational area identified above. Do not open this booklet until instructed to do so by the testing monitor. You will have _____ minutes to complete all questions.

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1. Barrett owns and operates a pet shop. One day, the hot water heater breaks, and water floods the shop floor. Unfortunately, Barrett doesn't have enough cash on hand to pay for a new hot water heater and to repair the damage caused by the flooding. Luckily, Barrett can use credit to pay for these expenses and quickly return to business as usual. What benefit of obtaining credit is demonstrated in this scenario?
 - A. Maintaining appropriate inventory levels
 - B. Establishing a credit rating
 - C. Purchasing emergency items
 - D. Taking advantage of credit's convenience
2. Patrick wants to keep a certain amount of his money in a safe place where he can earn interest on his savings and also be able to withdraw his funds without experiencing sizable financial penalties. In what type of financial institution should Patrick consider placing his money?
 - A. The stock market
 - B. A retirement fund
 - C. A holding company
 - D. A retail bank
3. Which of the following types of car insurance coverage would protect the owner against damage from fire or theft:
 - A. Comprehensive
 - B. Collision
 - C. Liability
 - D. Personal injury
4. Which of the following mutual funds is most likely to be tax inefficient:
 - A. A fund that attempts to match a broad market index
 - B. A fund with a high portfolio turnover rate
 - C. A fund that concentrates on a specialized sector
 - D. A fund with a low portfolio turnover rate
5. The payment of taxes to the federal government allows it to provide goods and services to
 - A. households and product markets.
 - B. businesses and resource markets.
 - C. businesses and households.
 - D. businesses and product markets.
6. Which of the following is a type of homeowners insurance endorsement:
 - A. Renters
 - B. Yard and garden
 - C. Property liability
 - D. Earthquake

7. Janell made a deposit to her savings account. She deposited a check for \$33.21, three \$20 bills, two \$5 bills, 14 dimes, 26 nickels, and 178 pennies. She also received four \$10 bills in cash back. What was the amount of Janell's net deposit?
- A. \$67.69
 - B. \$74.48
 - C. \$107.69
 - D. \$63.21
8. A financial institution that acts as an intermediary to facilitate securities transactions for the general public is a(n)
- A. commercial bank.
 - B. brokerage company.
 - C. credit union.
 - D. investment bank.
9. Which of the following expenses is tax deductible:
- A. Rent
 - B. Entertainment
 - C. Charitable giving
 - D. Food
10. Which of the following situations includes money being used as a medium of exchange:
- A. An individual takes out a \$10,000 car loan.
 - B. An individual places \$2,000 into a savings account.
 - C. An individual trades a \$20 bill for four \$5 bills.
 - D. An individual pays \$500 to purchase a laptop.
11. Which of the following loans would have the lowest total simple-interest charges:
- A. A loan for \$7,000 at 8% interest for 2 years
 - B. A loan for \$5,000 at 8.75% interest for 4 years
 - C. A loan for \$4,000 at 9% interest for 6 years
 - D. A loan for \$6,000 at 8.5% interest for 1 year
12. Which of the following investments involves almost no risk, along with easy accessibility to your money:
- A. Mutual fund
 - B. Real estate
 - C. Savings account
 - D. Stock
13. Emily has decided to use all of her savings to buy a new car instead of a used one. What are the opportunity costs of that decision?
- A. The reliability and luxury of a new car compared to a used one
 - B. The benefits she could have received by using public transportation instead
 - C. The benefits she could have received by using the additional cost of a new car another way
 - D. The money she saves by not having to constantly repair a used car

14. In many countries, federal income tax is calculated based on
- A. nontaxable income, health status, and credit history.
 - B. taxable income, marital status, and claimed allowances.
 - C. credit history, employment status, and age.
 - D. political affiliation, credit history, and type of employment.
15. A Roth IRA differs from a regular IRA in that it is
- A. employer-sponsored.
 - B. tax-deferred.
 - C. non-tax-deferred.
 - D. ideal for people with higher incomes.
16. Investing can help build wealth because it
- A. guarantees that you will not lose any money.
 - B. increases your savings over your lifetime.
 - C. eliminates the need to save for retirement.
 - D. doesn't require any money to start investing.
17. Chloe purchased some wireless airpods. Unfortunately, the airpods failed to pair with her iPhone. Chloe has the right to return the airpods because they carry a(n) _____ warranty.
- A. implied
 - B. express
 - C. limited
 - D. full
18. Which of the following best describes the purpose of a governmental consumer financial agency such as the U.S. Consumer Financial Protection Bureau:
- A. It protects investors and safeguards the integrity of the securities market.
 - B. It regulates the offering of consumer financial products and maintains a complaint database.
 - C. It protects the public from unfair and deceptive practices in advertising.
 - D. It ensures national banks provide fair access to financial services.
19. Which of the following is a situation that is likely to require a company's employees to obtain special training from an external source:
- A. Analyzing results of a research project
 - B. Interpreting a quarterly sales report
 - C. Understanding the company's policy manual
 - D. Learning a complex computer software program
20. Which of the following techniques could help you improve your credit score:
- A. Use the smallest possible amount of available credit.
 - B. Put several small charges on a variety of credit cards.
 - C. Apply for as many credit cards as possible.
 - D. Get all debt removed from your report, even if you have paid it off.

21. The relationship between a creditor and a debtor is usually based on the debtor's
- A. ability to pay.
 - B. type of account.
 - C. pricing method.
 - D. billing schedule.
22. Which of the following statements best represents direct subsidized student loans:
- A. Interest starts accruing immediately.
 - B. They are available to undergraduate and graduate students.
 - C. There is no requirement to demonstrate financial need.
 - D. Interest is covered while you are in school.
23. Teresa received a raise this year, so she will pay taxes at a higher rate than she did last year. This is an example of
- A. deductions from taxable income.
 - B. self-employment taxes.
 - C. excise tax.
 - D. a progressive tax structure.
24. When evaluating investment options, it is important to
- A. base your selections on the most recent trends.
 - B. consider your long-term financial goals.
 - C. avoid investments that pose any risk of loss.
 - D. choose investments with the highest potential returns.
25. When applying for life insurance, the application will ask you for several different types of personal information. Which of the following is personal information that you must include on a life insurance application:
- A. Your weight and your email password
 - B. Your PIN number at your bank and your height
 - C. Your lifestyle habits and date of birth
 - D. Your blood pressure and your salary
26. When a person signs a car loan with an interest rate of 5%, how does making a large down payment benefit them?
- A. It reduces the amount of interest that will be charged over the loan period.
 - B. It reduces the car's original purchase price.
 - C. It gives the lender confidence that the borrower has the resources to repay the loan.
 - D. It reduces the interest rate that will be applied over the loan period.
27. Which of the following is an advantage of a target date mutual fund:
- A. It guarantees that the needed income will be generated.
 - B. It can serve as an all-in-one portfolio.
 - C. It does not allow the investor to adjust allocations.
 - D. It does not automatically adjust over time.

28. Without realizing it, Hillary makes a \$50 purchase using a debit card linked to an account that only has \$30 in it. Which of the following services will make sure the transaction clears, even though the account currently has insufficient funds:
- A. Transfer fee
 - B. Overdraft protection
 - C. Certificate of deposit
 - D. Profit maximization
29. Ian found a new TV online for \$400, and after 3 months of saving, he has the money ready. However, while purchasing the TV, he is surprised that the total amount is actually \$430. The total amount due is higher than the price of the TV because of _____ taxes.
- A. sales
 - B. tariff
 - C. income
 - D. excise
30. Who is responsible for providing a quality of work life that fosters productivity?
- A. Customers
 - B. Unions
 - C. Businesses
 - D. Employees
31. Which of the following are two qualities of a person who is considered to be financially responsible:
- A. They invest 10% of each paycheck into savings and spend more than they make.
 - B. They use credit cards to help make ends meet and buy things they can afford.
 - C. They live within their means and are prepared for the unexpected.
 - D. They welcome paying interest and pay some of their credit card balance each month.
32. Investing in growth stocks is a strategy that builds wealth through
- A. capital appreciation.
 - B. buying low and selling high.
 - C. a regular fixed income.
 - D. paid dividends.
33. Individuals often gain wealth from saving money in a retirement account because
- A. employers sometimes match employees' contributions.
 - B. retirement accounts guarantee future financial security.
 - C. retirement account holders can accumulate rewards points.
 - D. many governments offer loan relief as a reward for saving.

34. About a week before her 16th birthday, Kimberly got a phone call from her grandparents. They explained that they wanted to give her \$1,000 to put toward college expenses as a birthday present, but they weren't sure if she wanted the money now or in two years, when she would be starting college. Kimberly decided to get the \$1,000 from her grandparents right away and put it into an interest-bearing savings account for 2 years. Kimberly based her decision on
- A. the time value of money.
 - B. the concept of absolute advantage.
 - C. the capital gains potential.
 - D. foreign exchange rate.
35. Jake is researching career trends in the field of accounting. Which of the following sources is most likely to contain the most current, credible information:
- A. The latest edition of the *Insurance News Monthly* trade publication
 - B. An early edition of the *Managerial Accounting in Practice* textbook
 - C. An online newspaper article written by a well-known compliance expert
 - D. The federal government's labor and workforce website
36. Many consumer loan applications require the borrower to indicate assets or personal property that the lender may acquire if the loan is not repaid. These loans are secured by
- A. deposit.
 - B. credit.
 - C. collateral.
 - D. risk.
37. Shinju has been in her position for a while, and she'd like to get a promotion. The last time Shinju talked to her boss about it, her manager said that Shinju will need more training before they'd consider promoting her. What should Shinju do to get ahead?
- A. Defend herself and tell her manager she has enough training already
 - B. Take a class to learn new skills in her industry
 - C. Wait for her manager to assign her more training
 - D. Talk to coworkers and tell them she wants a promotion
38. Andrew received an official-looking email that appeared to be from a government agency. The message requested that Andrew reply immediately to the email and provide his bank account information and credit card account numbers. Fortunately, Andrew found out that the message was fraudulent before he provided the information. What illegal activity does this situation exemplify?
- A. Affinity fraud
 - B. Phishing
 - C. Accounting fraud
 - D. Ponzi scheme
39. Which of the following is the most likely reason to diversify an investment portfolio:
- A. To capitalize on market growth
 - B. To increase property value
 - C. To maximize the growth of investments
 - D. To reduce risk in the event of a market crash

40. The Federal Trade Commission protects consumers from making hasty buying decisions by
- A. setting product safety standards and requiring producers to test their products.
 - B. giving consumers a three-day, cooling-off period after signing a purchase contract for certain products.
 - C. ensuring that labels are honest and informative and removing harmful products from the market.
 - D. maintaining its website so consumers can report unsafe products directly.
41. Which of the following is an example of a transfer payment:
- A. Corporate bond
 - B. Investment dividend
 - C. Unemployment compensation
 - D. Weekly paycheck
42. Which of the following types of insurance allows you to maintain your standard of living while you are sick, injured, or otherwise unable to work:
- A. Life insurance
 - B. Health insurance
 - C. Disability insurance
 - D. Home insurance
43. What is a primary function of the Securities Exchange Commission (SEC)?
- A. Conducts the financial-statement audits for public corporations
 - B. Distributes annual dividends to public corporations' stockholders
 - C. Sells new securities on behalf of public companies
 - D. Oversees the registration process for initial public offerings (IPOs)
44. Which of the following is a measurable financial goal:
- A. I want to save \$3,000 for a new truck.
 - B. I want to pay off some of my credit card debt soon.
 - C. I'd like to spend less money on clothing.
 - D. I'm thinking of buying a house next year.
45. Which of the following are among the most important resources to access prior to purchasing stock in a company:
- A. ESOP and the company's website
 - B. ESOP and the Statement of Ownership
 - C. EDGAR and the Statement of Ownership
 - D. EDGAR and the company's website
46. Saving the money that you might ordinarily spend each day on a cup of coffee and a donut
- A. can help you achieve larger financial goals.
 - B. is the sacrifice you must make for future financial security.
 - C. will not result in significant savings.
 - D. is not a practical step in reaching your financial goals.

47. Why is it important to select an occupation that matches your aptitudes?
- A. Selecting a career based on your aptitudes will require less time in college.
 - B. A positive aptitude will allow you to succeed in any career.
 - C. Considering your aptitudes will make achieving your career goals realistic.
 - D. Matching aptitudes to careers leads to the highest possible income.
48. Who bears the financial burden of paying unemployment taxes (FUTA) to the federal government?
- A. Managers
 - B. Facilitators
 - C. Employers
 - D. Workers
49. You have a credit card with a credit limit of \$2,000, an interest rate of 3%, and a cash back reward of 1% on all purchases. Which of the following is the best method for using the credit card:
- A. Charge purchases until you reach the credit limit.
 - B. Use it to manage payments for a large purchase.
 - C. Pay all monthly expenses with it.
 - D. Purchase everything with it to earn rewards.
50. An individual will most likely be involved in insurance fraud if they
- A. overestimate the amount of loss.
 - B. attempt to reduce the coverage.
 - C. limit their scope of liability.
 - D. calculate the value of property.
51. As a nation's unemployment rate increases, what likely will happen to financial markets?
- A. The Consumer Price Index will increase.
 - B. Retail sales will decrease.
 - C. Stock prices will decrease.
 - D. Gross domestic product will increase.
52. Maisie feels strongly about a number of issues in her community. She wants to support organizations that address these issues and provide services she thinks are important. To best support these organizations, Maisie should direct a portion of her paycheck each month to
- A. property tax.
 - B. retirement planning.
 - C. professional development.
 - D. charitable giving.
53. Which of the following car owners should purchase a full-coverage car insurance policy to protect them financially:
- A. A person with a brand new car that is financed by a loan
 - B. A person with a brand new car that has been wrecked
 - C. A person with a 12-year-old car that is paid for
 - D. A person with a 12-year-old car that is financed by a loan

54. A restaurant wants to open a second location, but it doesn't have the necessary money to do so. However, it is able to borrow money from a _____ to open the new facility.
- A. wholesaler
 - B. debtor
 - C. creditor
 - D. borrower
55. Eito's credit report shows that his credit score has dropped over the past 9 months. What is the most important thing Eito can do to improve his credit score?
- A. Pay his bills by the date they are due
 - B. Increase the amount of money owed
 - C. Apply for another credit card
 - D. Close all of his older credit cards
56. To stay competitive in their industries, it is important for entrepreneurs to keep up to date with
- A. personal distribution policies.
 - B. suppliers' buying trends.
 - C. customer-pricing strategies.
 - D. technological developments.
57. Which of the following agencies is responsible for supervising and maintaining public confidence in financial institutions:
- A. Federal Deposit Insurance Corporation (FDIC)
 - B. Bureau of the Fiscal Service
 - C. Bureau of Economic Analysis
 - D. Department of Health and Human Services (HHS)
58. The use of thorough job orientation helps to increase productivity through
- A. participative decision making.
 - B. mass production.
 - C. quality of work life.
 - D. training and education.
59. Personal budgets can be used to
- A. identify spending habits.
 - B. locate investment opportunities.
 - C. find legal loopholes.
 - D. hire new employees.
60. It's best to pay monthly expenses with
- A. credit cards that have low interest rates.
 - B. credit cards with low introductory rates.
 - C. savings.
 - D. monthly income.

61. Eloise is a mortgage broker who purposely targets people who have low credit and who are unemployed, knowing they will likely struggle to make payments. This practice is known as
- A. affinity group fraud.
 - B. pump and dump.
 - C. a Ponzi scheme.
 - D. predatory lending.
62. What might a dividend payout tell you about a company?
- A. It's trying to rid itself of cash.
 - B. It's a well-established company.
 - C. It's paying back a loan.
 - D. It's reinvesting its profits back into the business.
63. Pru, who is 23 years old, is considering whether to invest money in the stock market to build her retirement savings. What advantage does Pru have in investing in stocks at her age versus someone much older?
- A. Pru can expect constant, sustained growth.
 - B. Pru can take on more investment risk.
 - C. Pru has loans to pay right now.
 - D. Pru needs to establish good credit.
64. When should you record transactions in your budget tracker?
- A. As bank statements are reconciled
 - B. As soon as each transaction is made
 - C. When bank statements are received
 - D. When you possess insufficient funds for a transaction
65. Sasha earns \$14 an hour and works 40 hours per week, which gives her a gross income of \$560 per week. She budgets \$480 for expenses each week and plans to save \$80 per week. What is wrong with Sasha's budget?
- A. She hasn't accounted for payroll taxes.
 - B. She hasn't accounted for health-care costs.
 - C. Her expenses are too high.
 - D. She should save at least 10% of her income.
66. On a stock table, net change shows you the difference between
- A. the highest and lowest prices for the year.
 - B. the day's closing price and the previous day's price.
 - C. last year's average price and this year's average price.
 - D. the highest and lowest prices for the day.
67. What is the main purpose of bankruptcy laws?
- A. To give debtors a financial fresh start
 - B. To give lenders the opportunity to sue
 - C. To increase the debtor's amount of debt
 - D. To punish debtors for their debt

68. Which of the following is a true statement about annual fees:
- A. The law states that they can be no more than \$100.
 - B. They are paid instead of finance charges.
 - C. The amounts vary from card to card.
 - D. They apply to all bank credit cards.
69. Which of the following statements best represents the debt relief service of credit counseling:
- A. They pay a settlement to resolve your debt.
 - B. They collect money from you upfront.
 - C. They pay a creditor on your behalf.
 - D. They help you develop a personalized plan.
70. Each month, Josh deposits money from his paycheck into a retirement account. Even though this decreases his _____, Josh ultimately earns more money through _____ interest.
- A. net income; compound
 - B. gross income; simple
 - C. gross income; compound
 - D. net income; simple
71. To be able to pay for unexpected car repairs or to replace broken home appliances, it is important to
- A. use tax returns to purchase treasury bonds.
 - B. make long-term investments.
 - C. save money for emergency situations.
 - D. eliminate entertainment expenses.
72. All the efforts to safeguard consumers from any kind of injury they might suffer in the process of purchasing or using consumer products is known as consumer
- A. marketing.
 - B. spending.
 - C. confidence.
 - D. protection.
73. The key factors involved in compounding growth are the amount of money you invest, how much your investment grows each year, and
- A. your educational background and career.
 - B. how long your money is invested.
 - C. your mutual fund manager's education.
 - D. how you earn the money that you invest.
74. An individual or business can minimize capital losses on investment property by
- A. liquidating remaining assets.
 - B. obtaining a long-term loan.
 - C. claiming the loss as a tax deduction.
 - D. renegotiating property insurance premiums.

75. Eric wants to buy a new house, and to do so, he needs good credit. He has made all his rent, car, and credit card payments on time, so he should have a good credit score. Before he goes to purchase the house, he checks his credit report and finds that he has a low credit score because one of the agencies mishandled his report. This example shows the importance of
- A. paying rent on time.
 - B. good credit.
 - C. buying a house.
 - D. validating credit history.
76. Frank is an officer of the MUD corporation who recently sold his shares of MUD stock based on confidential company information. Frank is guilty of illegal
- A. insider trading.
 - B. accounting fraud.
 - C. phishing.
 - D. affinity fraud.
77. Some occupations require that businesspeople participate in professional development activities in order to maintain their
- A. working conditions.
 - B. certification.
 - C. career interests.
 - D. benefits.
78. The amount of work an individual can produce in a given period of time is a measure of
- A. worker productivity.
 - B. division of labor.
 - C. job simplification.
 - D. specialization.
79. One of the most effective ways to avoid accumulating overwhelming debt is to
- A. pay your credit card balance on time each month.
 - B. avoid using cash to pay for things.
 - C. make the minimum payment on credit accounts.
 - D. use credit cards to pay for what you can't afford.
80. When a customer is permitted to pay their credit account in full in 30 days, or make a minimum payment and be charged a finance charge on the balance, they have a(n) _____ account.
- A. installment
 - B. cycle billing
 - C. revolving
 - D. regular
81. Scarlet is setting her personal financial goals. What is the first step she should take to reach her financial goals?
- A. Evaluate her budget
 - B. Prioritize her goals
 - C. Make a list of her goals
 - D. Automate payments

82. Before deciding whether to purchase any Upside Corporation stock, Anna wants to study the company's financials. What part of Upside's website is likely to contain the company's most recent annual report?
- A. Leadership
 - B. Investor Relations
 - C. Public Relations
 - D. Sustainability
83. What kind of insurance protects you from loss if you let someone drive your car and that person has an accident?
- A. Liability
 - B. Property
 - C. Health
 - D. Whole-life
84. To determine if Ethan is interested in a career in the hospitality industry, he went to work with his aunt at the Rolling Hills Golf Resort once a week last summer to observe how she spends her days. What technique did Ethan use to learn about the industry?
- A. Paid internship
 - B. Service learning
 - C. Exploratory interview
 - D. Job shadowing
85. Years ago, Gloriya's grandmother opened an education savings account and named Gloriya as the account's beneficiary. With the money in the account, Gloriya can pay for qualified education expenses, such as college tuition, school supplies, and campus meal plans. What type of education savings account did Gloriya's grandmother open?
- A. A checking account
 - B. An expense account
 - C. A 457 plan
 - D. A 529 plan
86. One thing all successful entrepreneurs have in common, regardless of industry, is
- A. negativity.
 - B. passion.
 - C. closed-mindedness.
 - D. athleticism.
87. Devon bought a property for \$250,000 and sold it for \$300,000. The money he made on the sale is known as
- A. estate tax.
 - B. capital gains.
 - C. disposable income.
 - D. sales revenue.

88. Saving money helps you achieve _____ goals, while investing money helps you achieve _____ goals.
- A. short-term; long-term
 - B. career; short-term
 - C. long-term; career
 - D. long-term; short-term
89. An expense that typical homeowners insurance will cover is damage caused by
- A. a flood or an earthquake.
 - B. termites or bugs.
 - C. general wear and tear.
 - D. a fire or lightning.
90. Because Mia wants to be in charge of her investment portfolio and does not want to pay high commissions to a representative, she should consider obtaining securities information from a(n)
- A. certified insurance agent.
 - B. online brokerage firm.
 - C. licensed stockbroker.
 - D. risk management officer.
91. Why would a person choose whole life insurance instead of term life insurance?
- A. Whole life insurance policies can be of different lengths.
 - B. Whole life insurance policies usually have lower premiums.
 - C. The cash value of whole life insurance can grow over time.
 - D. You don't have to pay estate taxes on whole life insurance.
92. The government does not tax the money placed in an individual retirement account (IRA) until it is withdrawn for its designated use. This money is an example of
- A. tax-exempt funds.
 - B. tax-deferred income.
 - C. dual taxation on earnings.
 - D. capital gains revenue.
93. Businesses or individuals who promise to pay at a future time for something of value that is received are arranging
- A. security.
 - B. collateral.
 - C. interest.
 - D. credit.
94. Which of the following is the best source of information regarding your gross pay, deductions, and net pay:
- A. Bank
 - B. Pay stub
 - C. Timecard
 - D. W-4

95. When researching charitable and nonprofit organizations, you should _____ before donating.
- A. audit the organization's annual report
 - B. review the charity's mission and programs
 - C. study the work history of the staff
 - D. check your bank account statements
96. Which of the following stocks is considered highly speculative and is valued at less than \$5:
- A. Blue-chip stocks
 - B. Penny stocks
 - C. Environmental, social, and corporate governance (ESG) stocks
 - D. Initial public offering (IPO) stocks
97. While driving to work, another car collided with Tanner while he was making a turn. What is the first thing Tanner should do after the collision?
- A. Immediately call his insurance company
 - B. Check himself and others for injuries
 - C. Gather contact information from witnesses
 - D. Take photos of any damage
98. Jazmin has a problem with impulse spending. When she goes to the store, she frequently ends up purchasing items that she doesn't really need. Impulse spending can lead to
- A. identity theft.
 - B. a high credit score.
 - C. credit card fraud.
 - D. debt accumulation.
99. Jamie uses a debit card to pay for her monthly rent. This means that
- A. she is using cash to pay for her rent each month.
 - B. the money is taken from her account at the end of the billing period.
 - C. the money is immediately taken from her bank account each time she pays.
 - D. she is using future funds to pay for her rent by promising to pay later.
100. Vivian's company always pays her on time, offers benefits, and provides her with an office she feels safe and comfortable in. Vivian enjoys her job and is able to be more productive because her company puts an emphasis on
- A. participative decision-making.
 - B. specialization.
 - C. quality of work life.
 - D. communication.



KEY

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1. C

Purchasing emergency items. Being able to buy items needed in an emergency situation can be an advantage of credit. The broken hot water heater in Barrett's scenario caused an emergency situation that was resolved with the use of credit. Maintaining appropriate inventory levels, taking advantage of credit's convenience, and establishing a credit rating are all benefits of using credit, but they are not demonstrated in this example.

SOURCE: Managing Credit Grade 12

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

2. D

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

SOURCE: Saving Grade 12

SOURCE: Majaski, C. (2023, June 16). *Retail banking: What it is, different types, and common services*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/r/retailbanking.asp>

3. A

Comprehensive. Comprehensive insurance protects against damages from causes other than collision (e.g., fire, theft, water, falling objects, and vandalism). Collision coverage protects against damage to an insured's vehicle if they hit another car or lose control of their own car. Personal injury coverage pays for medical, hospital, and funeral costs of the insured, the insured's family, and other passengers in the insured's car in the event of an accident. Liability coverage protects against loss as a result of injury to another person or damage to another person's property.

SOURCE: Managing Risk Grade 12

SOURCE: Progressive. (2024). *What is comprehensive insurance?* Retrieved October 21, 2024, from <https://www.progressive.com/answers/comprehensive-insurance/>

4. B

A fund with a high portfolio turnover rate. Regardless of fund type, a fund with a high portfolio rate replaces a high percentage of its investments every year. Every time that the fund sells one item in its portfolio and purchases another, a capital gain or loss is being realized. Because these capital gains or losses occur so frequently, it is difficult for fund investors to successfully time the realizations and manage their overall tax obligations effectively. Specialized sector funds focus on a certain industry, and index funds attempt to match broad market indices.

SOURCE: Investing Grade 12

SOURCE: Hayes, A. (2024, August 28). *What are mutual funds and how to invest in them?* Retrieved October 21, 2024, from <https://www.investopedia.com/terms/m/mutualfund.asp>

5. C

Businesses and households. The net taxes paid by businesses and households are translated by government programs into goods and services for businesses and individuals. Resource markets provide resources to the government and in return receive government expenditures. The product market provides goods and services to the federal government and receives government expenditures as payment.

SOURCE: Earning Income Grade 12

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

6. D

Earthquake. An endorsement is essentially an addition to a base insurance policy. Common endorsements to homeowners insurance policies cover earthquake damage, sewer backup, home businesses, etc. Renters insurance is a type of home insurance. Yard and garden insurance is fictitious. Property liability covers damage that you might cause to someone else's property while driving.

SOURCE: Managing Risk Grade 8

SOURCE: Gibson, J. (2024, September 16). *Homeowners insurance policy endorsements*. Retrieved October 21, 2024, from <https://www.bankrate.com/insurance/homeowners-insurance/policy-endorsements/>

7. A

\$67.69. To determine Janell's net deposit, first determine how much money she had of each denomination of bill and coin. To do so, multiply the number of bills or coins of a certain denomination by the value of that bill or coin ($3 \times \$20 = \60 ; $2 \times \$5 = \10 ; $14 \times \$0.10 = \1.40 ; $26 \times \$0.05 = \1.30 ; $178 \times \$0.01 = \1.78). Next, add up how much cash and coin Janell gave to the bank ($\$60.00 + \$10.00 + \$1.40 + \$1.30 + \$1.78 = \74.48). Then, to determine Janell's subtotal on her deposit slip, add the amount of Janell's check to the cash and coin that she had ($\$33.21 + \$74.48 = \$107.69$). Determine how much cash back Janell received by multiplying the number of bills she received by the denomination of these bills ($4 \times \$10 = \40). Finally, subtract the amount of cash back from the deposit slip subtotal to find Janell's net deposit after receiving \$40 cash back ($\$107.69 - \$40 = \67.69).

SOURCE: Saving Grade 8

SOURCE: Tuovila, A. (2024, June 17). *Net interest income: What it is, how it's calculated, examples*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/n/net-interest-income.asp>

8. B

Brokerage company. A brokerage company acts as an intermediary to facilitate securities transactions, such as the buying and selling of stocks, for the general public. A commercial bank offers banking services such as savings, checking, and loans to consumers and businesses. An investment bank is a financial intermediary that provides services for businesses and governments. A credit union provides services such as savings and checking to individuals who meet its enrollment requirements.

SOURCE: Investing Grade 12

SOURCE: Horton, M. (2023, September 19). *Different types of financial institutions*. Retrieved October 21, 2024, from <https://www.investopedia.com/ask/answers/061615/what-are-major-categories-financial-institutions-and-what-are-their-primary-roles.asp>

9. C

Charitable giving. Charitable contributions are tax-deductible expenses, meaning they lower one's taxable gross income. Payments for rent, food, and entertainment are non-tax-deductible expenses.

SOURCE: Spending Grade 12

SOURCE: Sorge CPA. (2023, January 10). *Deductible vs. non-deductible business expenses*. Retrieved October 21, 2024, from <https://www.sorgecpa.com/resources/insights/deductible-vs.-non-deductible-business-expenses>

10. D

An individual pays \$500 to purchase a laptop. When money is accepted in exchange for a good such as a laptop, it is being used as a medium of exchange. When one denomination of cash is exchanged for another, it has not been exchanged for goods. Money placed into a savings account is being used as a store of value for future use. A loan represents deferred payments, not a medium of exchange.

SOURCE: Spending Grade 8

SOURCE: Chen, J. (2023, June 30). *Medium of exchange: Definition, how it works, and example*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/m/mediumofexchange.asp>

11. D

A loan for \$6,000 at 8.5% interest for 1 year. The amount of simple interest is calculated by multiplying the amount of money being borrowed times the interest rate, times the length of time for which the loan is made. In this case, $\$6,000 \times 8.5\% \times 1 = \510 . The \$5,000 loan will have an interest payment of \$1,750. The \$4,000 loan will have an interest payment of \$2,160. The \$7,000 loan will have an interest payment of \$1,120. Time is a very important factor in determining the cost of using credit.

SOURCE: Managing Credit Grade 8

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

12. C

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

SOURCE: Saving Grade 8

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

13. C

The benefits she could have received by using the additional cost of a new car another way. Opportunity costs are the benefits that are lost when you decide to choose one alternative over another. In this case, Emily could have used the money she spent on getting a new car on something else. Her opportunity costs are not the reliability and luxury of a new car—those are benefits. Emily chose a new car over a used car and wasn't considering public transportation, so the benefits of using public transportation are not her opportunity costs. The money saved by not having to constantly repair a used car is a benefit of buying a new car, not an opportunity cost.

SOURCE: Spending Grade 8

SOURCE: Fernando, J. (2024, August 29). *Opportunity cost: Definition, formula, and examples*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/o/opportunitycost.asp>

14. B

Taxable income, marital status, and claimed allowances. In many countries, including the United States, federal income tax is calculated based on taxable income, marital status, and claimed allowances. Taxable income is simply the portion of a person's income that is subject to taxation. Married couples receive favorable tax breaks, as well as families with children, according to United States federal tax law. That's because married couples and families with children can claim more allowances than single filers. In general, federal income tax is not calculated based on health status, credit history, age, or political affiliation.

SOURCE: Earning Income Grade 12

SOURCE: Employers Resource. (2024, June 25). *6 common types of payroll deductions and withholdings*. Retrieved October 21, 2024, from <https://employersresource.com/payroll/6-common-types-of-payroll-withholdings/>

15. C

Non-tax-deferred. A Roth IRA differs from a regular IRA in that it is non-tax-deferred. Your contributions are made with after-tax dollars. However, with this plan, you avoid capital gains taxes entirely, and you owe no taxes at the time you withdraw the money. Roth IRAs are ideal for people who are in a low tax bracket now, but expect to be in a higher tax bracket later in life. They are not employer-sponsored.

SOURCE: Saving Grade 12

SOURCE: Vanguard. (2024). *Roth IRA vs. traditional IRA: Eligibility, rules, and tax benefits*. Retrieved October 21, 2024, from <https://investor.vanguard.com/investor-resources-education/iras/roth-vs-traditional-ira>

16. B

Increases your savings over your lifetime. Investing can help you build wealth and meet your financial goals because it often increases the value of your money over time. Investing does not guarantee that you will not lose any money; however, if you invest wisely, it is unlikely that you will suffer significant losses overall. Investing does require money to begin, but it does not require a lot of money. You can invest as little or as much as you would like. While investing can be a good way to ensure your future financial health, it does not eliminate the need to save for retirement.

SOURCE: Investing Grade 8

SOURCE: Hartman, T. (2024, August 19). *Make your money work for you: The benefits of investing*. Retrieved October 21, 2024, from <https://www.communityamerica.com/blog/2024/08/19/the-benefits-of-investing>

17. A

Implied. Since the airpods have Bluetooth capability, Chloe has the right to expect that they will function with Bluetooth-enabled devices such as her iPhone. There is no indication that the airpods came with an express warranty, either full or limited.

SOURCE: Managing Risk Grade 8

SOURCE: LAP-PM-920—Promises, Promises (Warranties and Guarantees)

18. B

It regulates the offering of consumer financial products and maintains a complaint database. The Federal Trade Commission (FTC) protects the public from unfair and deceptive practices in advertising. The Securities and Exchange Commission (SEC) is a government organization that protects investors and safeguards the integrity of the securities market. The Office of the Comptroller of the Currency (OCC) ensures national banks provide fair access to financial services.

SOURCE: Spending Grade 12

SOURCE: PerformLine. (2024, April 25). *The major regulatory agencies for consumer finance*. Retrieved October 21, 2024, from <https://blog.performline.com/financial-regulatory-agencies-list>

19. D

Learning a complex computer software program. Some computer programs are very complex to use and often require special training to learn how to use them. When a business does not have personnel who are familiar with computer software, it might hire an external trainer to come to the business to show employees how to correctly use the software. In some situations, employees might attend a class or workshop off site at a training center. Understanding the company's policy manual, interpreting a quarterly sales report, and analyzing the results of a research project do not require special training from a source outside the company.

SOURCE: Earning Income Grade 8

SOURCE: Educate 360. (2024, February 29). *External training guide: Advantages and navigating challenges*. Retrieved October 21, 2024, from <https://educate360.com/blog/advantages-disadvantages-external-training/>

20. A

Use the smallest possible amount of available credit. One way to boost your score is to use as little credit as possible. For example, if your credit limit is \$10,000, you should try to use 30% or less of that. You should not remove all debt from your credit report; in fact, you should keep accounts on your credit report that you have paid off responsibly because they can build good credit. For example, if you paid off your car loan without late payments, you should not try to have that loan removed from your credit report. You should also not apply for as much credit as possible. Your credit score can go down when you apply for credit frequently. Finally, you should not put several small charges on a variety of credit cards. A large number of credit cards with outstanding balances can hurt your credit score.

SOURCE: Managing Credit Grade 12

SOURCE: Luthi, B. (2024). *How to improve your credit score*. Retrieved October 21, 2024, from <https://www.experian.com/blogs/ask-experian/credit-education/improving-credit/improve-credit-score/>

21. A

Ability to pay. The relationship between a creditor and a debtor is usually based on the debtor's ability to pay the creditor the amount that is owed. Businesses offer credit to increase sales; however, they expect customers to repay the debt. Therefore, creditors usually base their decision to offer credit to those who they believe have the ability to pay. Creditors establish a billing schedule and pricing method. They also determine the type of account to offer debtors. These factors do not influence the relationship.

SOURCE: Managing Credit Grade 8

SOURCE: Law Shelf. (2024). *Debtors and creditors*. Retrieved October 21, 2024, from <https://www.lawshelf.com/videocoursesmoduleview/debtors-and-creditors-module-1-of-5>

22. D

Interest is covered while you are in school. Direct subsidized student loans are loans that are available to undergraduate students that demonstrate financial need. An advantage of direct subsidized loans is that the U.S. Department of Education covers interest while you are in school and for the first 6 months after you graduate. Unlike direct subsidized loans, direct unsubsidized loans are available to undergraduate and graduate students, do not require students to demonstrate financial need, and start accruing interest immediately.

SOURCE: Managing Credit Grade 12

SOURCE: Federal Student Aid. (n.d.). *Direct subsidized and direct unsubsidized loans*. Retrieved October 21, 2024, from <https://studentaid.gov/understand-aid/types/loans/subsidized-unsubsidized>

23. D

A progressive tax structure. Progressive taxes have a more significant impact on high-income groups than low-income groups. The higher the taxable amount, the higher the tax rate. Because Teresa's income has risen, her tax rate will rise as well because she is a part of a progressive tax structure. This is not an example of deductions from taxable income, excise tax, or self-employment tax.

SOURCE: Earning Income Grade 8

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

24. B

Consider your long-term financial goals. Before investing, you should evaluate your long-term financial goals. Many people choose to invest to save money for a house or a car or to finance a child's education. Having a clear understanding of why you are investing will help you choose the types of investments that best suit your specific needs and wants. When evaluating investment options, you should avoid choosing investments solely because they have the potential for high returns. Many investments with the potential for high returns pose a high risk, meaning there is a substantial chance that you will lose money on them. However, you don't have to avoid investments that pose any risk of loss. Each investor must determine their level of risk tolerance and choose investments accordingly. You should avoid basing your investment selection on the most recent financial trends or fads. Trends are often short-lived and can result in significant losses.

SOURCE: Investing Grade 12

SOURCE: Twin, A. (2023, November 27). *Investment analysis: Definition, types, and importance*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/i/investment-analysis.asp>

25. C

Your lifestyle habits and date of birth. When applying for life insurance, you will need to fill out an application. This application will ask for several different types of personal information, including your date of birth and lifestyle habits. It is important to be truthful about your lifestyle habits (smoking, exercise, diet, etc.), as the company can increase your premium if it discovers you lied about something. Other personal information that a life insurance application will require is your name, address, employer, height, weight, medications you take, and financial information, including your salary and net worth. A life insurance application will not ask for your PIN number at your bank or for your email password. In addition, many life insurance companies and policies require an in-person medical exam, where they will take your blood pressure, get a blood or urine sample, and listen to your heartbeat, among other things. This exam is part of the underwriting process—when an insurance company evaluates the risk of insuring you and determines your rate—which comes after you complete an application. The information from this medical exam will be a separate document from the application you completed. Thus, you will not need to include information such as your blood pressure on your application.

SOURCE: Managing Risk Grade 12

SOURCE: Adams, K. (2023, July 7). *What to expect when applying for life insurance*. Retrieved October 21, 2024, from <https://www.investopedia.com/articles/pf/08/what-to-expect-insurance-application.asp>

26. A

It reduces the amount of interest that will be charged over the loan period. The interest charged on a loan is calculated by multiplying the interest rate by the principal. Since a down payment reduces the principal amount, it causes less interest to be charged over the loan period. Enabling a lender to have confidence in your ability to pay benefits the lender. A down payment does not reduce a car's original purchase price. A loan's interest rate is established before the loan agreement is signed and not reduced by a large down payment.

SOURCE: Managing Credit Grade 12

SOURCE: Martin, A. (2024, April 4). *Should you put a down payment on a car? Yes, and here's why*. Retrieved October 21, 2024, from <https://www.bankrate.com/loans/auto-loans/car-loan-down-payment-benefits/?tpt=a>

27. B

It can serve as an all-in-one portfolio. Target date mutual funds let you invest in a single portfolio with an asset mix of several different types of stocks, bonds, and other investments. Target date mutual funds help you take more risks in your investment strategy when you are young and gradually become more conservative as your target date for needing the money (usually for retirement) draws near. An advantage of target date mutual funds is that they can serve as an investor's all-in-one portfolio when investing for retirement. This means it will serve as the investor's sole fund in a portfolio rather than selecting several funds to create a similar asset allocation mix. Another advantage is that target date mutual funds automatically adjust over time to become more conservative as the target date gets closer. A disadvantage is that they do not allow investors to adjust allocations if their risk tolerance changes. Another disadvantage is that they do not guarantee that the needed income will be generated.

SOURCE: Investing Grade 12

SOURCE: Charles Schwab & Co., Inc. (2024). *Target date mutual funds*. Retrieved October 21, 2024, from <https://www.schwab.com/mutual-funds/types/target-date-mutual-funds>

28. B

Overdraft protection. Overdraft protection is an optional service that ensures an account transaction will clear even if that account doesn't have enough money to cover the transaction. When setting up overdraft protection, a customer will designate a backup account to cover the difference in case the original account has insufficient funds. In Hillary's case, if she has overdraft protection, then her \$50 purchase will go through even though her account only has \$30 in it. Certificates of deposit are lending investments in which individuals lend money to a bank to earn a set rate of interest for a specified period of time. Profit maximization is a profit-oriented pricing objective intended to make the firm the most possible immediate profit. Some banks may charge a transfer fee for clearing a transaction that is greater than available funds, but a transfer fee is not the service that makes sure a transaction goes through.

SOURCE: Managing Credit Grade 12

SOURCE: Kagan, J. (2024, August 18). *What is overdraft protection? How it works and do you need it*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/o/overdraft-protection.asp>

29. A

Sales. Sales tax is imposed by the government on retail goods and services at the point of sale. When a consumer buys a product such as a TV, they likely will have to pay a percentage of the selling price in taxes, which are then passed on from the business to the government. Excise taxes are taxes on specific goods such as gasoline and are not generally applied to electronics. Income taxes are levied on the money you take in rather than on purchases. Tariffs are taxes on imports and exports. There is no indication that Ian's TV purchase was affected by tariffs.

SOURCE: Earning Income Grade 12

SOURCE: Kagan, J. (2023, May 30). *What is sales tax? Definition, examples, and how it's calculated*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/s/salestax.asp>

30. C

Businesses. An atmosphere of cooperation between labor and management is the basis for a good quality of work life. Productivity is increased when workers have positive feelings about the quality of their work life. Businesses are responsible for providing a quality of work life that fosters productivity. Employees determine how productive they will be, but they are not responsible for providing a good quality of work life. It is not the main responsibility of customers or unions to provide a good quality of work life.

SOURCE: Earning Income Grade 12

SOURCE: LAP-EC-913—Make the Most of It (Productivity)

31. C

They live within their means and are prepared for the unexpected. There are many qualities of a person who is considered to be financially responsible, and having these qualities can lead to several benefits. Two qualities of a financially responsible person are that they live within their means and are prepared for the unexpected. Living within your means and not overspending on wants can help you save more money for the long term and be prepared for the unexpected, such as the loss of a job, car issues, an injury, etc. Other qualities of a financially responsible person are that they invest 10% of each paycheck into savings and they buy things they can afford. Spending more than they make, using credit cards to help make ends meet, welcoming paying interest, and paying some of their credit card balance each month are all qualities of a financially irresponsible person. These actions can lead to consequences such as increased debt, a poor credit score, and a more difficult lifestyle. Financially responsible people spend less than they make, use credit cards for convenience, and pay most if not all of their credit card balance each month. In addition, they minimize the amount they spend in interest when possible.

SOURCE: Managing Risk Grade 8

SOURCE: Smith, L. (2023, December 31). *The basics of financial responsibility*. Retrieved October 21, 2024, from <https://www.investopedia.com/articles/pf/09/financial-responsibility.asp>

32. A

Capital appreciation. Investing in growth stocks is an appealing strategy because instead of paying dividends, growth companies tend to reinvest profit, thereby building wealth for investors through capital appreciation. Growth companies typically do not provide a regular fixed income, such as a paid dividend. Investing in growth stocks is a long-term strategy that does not mean buy low and sell high.

SOURCE: Investing Grade 8

SOURCE: Thrivent. (2024, August 26). *Capital appreciation: Definition, considerations, & examples*. Retrieved October 21, 2024, from <https://www.thrivent.com/insights/investing/capital-appreciation-definition-considerations-examples>

33. A

Employers sometimes match employees' contributions. Many employers will match an employee's contribution to their savings account up to a certain amount each year. As a result, individuals essentially earn "free money" for their retirement, simply by saving. Although contributing to a retirement account is a good way to ensure future financial health, it does not guarantee financial security. Governments do not typically offer loan relief as a reward for saving. Retirement account holders do not accumulate rewards points for saving.

SOURCE: Saving Grade 12

SOURCE: Fidelity. (2024, June 25). *How does a 401(k) match work?* Retrieved October 21, 2024, from <https://www.fidelity.com/learning-center/smart-money/average-401k-match>

34. A

The time value of money. Kimberly understands that the \$1,000 available to her now is worth more than the same \$1,000 2 years from now. By placing the \$1,000 in a savings account now, she can earn interest on that \$1,000. So, in 2 years, she will have more than \$1,000 to put toward her college expenses. The absolute advantage is the advantage achieved when a nation can produce a good or service for less than another nation. Capital gains are earnings from the appreciation of a stock investment, and Kimberly is not purchasing stock with the money. The foreign exchange rate is the value of a currency in relation to another currency at a given time.

SOURCE: Saving Grade 12

SOURCE: Croome, S. (2024, January 30). *Understanding the time value of money*. Retrieved October 21, 2024, from <https://www.investopedia.com/articles/03/082703.asp>

35. D

The federal government's labor and workforce website. When exploring career trends, researchers need to identify credible sources that keep their information up to date. Federal governments often post and regularly update career information on their labor and workforce websites. The United States posts and publishes the *Occupational Outlook Handbook*, which provides information about career trends for hundreds of careers. The Canadian government posts career information about job trends in Canada on a website called *Working in Canada*. There is not enough information provided to determine if the accounting textbook or newspaper article contains current or relevant career information about accounting. An insurance trade publication is more likely to contain articles about insurance careers than accounting careers.

SOURCE: Earning Income Grade 8

SOURCE: Pitt County. (n.d.). *The 10 steps of an effective online job search*. Retrieved October 21, 2024, from <https://www.pittcountync.gov/623/The-10-Steps-of-an-Effective-Online-Job->

36. C

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

SOURCE: Managing Credit Grade 12

SOURCE: Kagan, J. (2024, October 4). *Collateral definition, types, & examples*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/c/collateral.asp>

37. B

Take a class to learn new skills in her industry. It's important to take initiative if you want to progress in your career. This means that if Shinju needs to get more training in her field, she should be proactive and take a class. She shouldn't wait for her manager to assign her more training—her manager may be waiting for her to take initiative! It's also important for Shinju to avoid talking to her coworkers about the promotion she wants. It probably won't help her, and it may look to her boss like she's engaging in office gossip or badmouthing the company's policies. Shinju should avoid going on the defense when her manager offers constructive criticism. Instead, she should realize her manager wants to help her succeed and take their advice.

SOURCE: Earning Income Grade 12

SOURCE: Reynolds, M. (2023, April 27). *How to get promoted at work: 10 effective strategies*. Retrieved October 21, 2024, from <https://online.hbs.edu/blog/post/how-to-get-ahead-at-work>

38. B

Phishing. Phishing is an online identity theft scam that fools its victims into believing they are submitting sensitive, personal information such as bank or credit card numbers to a legitimate website. A Ponzi scheme is an investment scam that lures new investors by promising high rates of return with little to no risk. Accounting fraud occurs when a company or organization knowingly publishes incorrect information on its financial statements. Affinity fraud is an investment scam in which the scammer claims to be a member of the group they are targeting. Claiming to be a member of the group makes the target audience more likely to trust the scammer and turn over its money to that person.

SOURCE: Managing Risk Grade 12

SOURCE: Cloudflare. (2024). *What is a phishing attack?* Retrieved October 21, 2024, from <https://www.cloudflare.com/learning/access-management/phishing-attack/>

39. D

To reduce risk in the event of a market crash. Diversification, which involves spreading out your investment dollars among a number of different securities, is like an insulator against potential economic downturns. If money is spread across various investments, it is more likely to retain value. Diversification is not a way to maximize or capitalize on growth, and it has little to do with property value.

SOURCE: Investing Grade 8

SOURCE: Segal, T. (2023, July 1). *What is diversification? Definition as investing strategy*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/d/diversification.asp>

40. B

Giving consumers a three-day, cooling-off period after signing a purchase contract for certain products. Because one of its major goals is to help consumers make good buying decisions, the Federal Trade Commission enforces a regulation that gives consumers a three-day, cooling-off period after signing a purchase contract for certain products. This protects consumers from their own hasty decisions or from high-pressure selling tactics. Consumers cannot be penalized by the seller for canceling a contract within the three-day period. The Consumer Product Safety Commission sets product safety standards and requires producers to test their products. It also maintains its website so consumers can report unsafe products directly. The Food and Drug Administration ensures that labels are honest and informative and removes harmful products from the market.

SOURCE: Spending Grade 12

SOURCE: LAP-PM-917—Protect and Serve (Consumer Protection)

41. C

Unemployment compensation. Transfer payments are monies paid by the government in which no goods or services are received in exchange. Examples of transfer payments include disaster aid, veterans' benefits, and unemployment compensation. People who qualify for unemployment compensation receive government funds for a limited amount of time when they lose their jobs through no fault of their own. Employers issue paychecks to employees for the work they have performed. Dividends are earnings on investments. A corporate bond is a piece of paper (real or virtual) that says a corporation will borrow an investor's money at a particular interest rate for a particular period of time. Weekly paychecks, investment dividends, and corporate bonds are not examples of transfer payments.

SOURCE: Earning Income Grade 12

SOURCE: Hayes, A. (2024, June 8). *Unemployment income: What it is, how it works*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/u/unemployment-income.asp>

42. C

Disability insurance. Disability insurance allows you to maintain your standard of living when you are disabled or otherwise unable to work. Life insurance ensures that your beneficiaries can maintain their standard of living if you die, whereas health insurance allows you to access affordable health care throughout your life. Home insurance is insurance for your house or apartment.

SOURCE: Managing Risk Grade 12

SOURCE: Progressive. (2024). *What is personal liability coverage?* Retrieved October 21, 2024, from <https://www.progressive.com/answers/personal-liability-insurance/>

43. D

Oversees the registration process for initial public offerings (IPOs). The SEC is the administrative agency that enforces securities regulations. The SEC works to ensure public companies fully disclose their financial information to investors and to protect the public from fraudulent activities related to the securities market. One function of the SEC is to oversee the registration process for corporations when they first offer stock to the public, which is called initial public offerings or IPOs. The SEC does not distribute dividends or sell securities. The Public Company Accounting Oversight Board oversees the auditing processes of the public corporations' financial statements.

SOURCE: Investing Grade 12

SOURCE: U.S. Securities and Exchange Commission. (2023, August 9). *About the SEC: What we do*. Retrieved October 21, 2024, from <https://www.sec.gov/about/what-we-do>

44. A

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

SOURCE: Saving Grade 8

SOURCE: U.S. Bank. (2024). *How to set financial goals*. Retrieved October 21, 2024, from <https://www.usbank.com/wealth-management/financial-perspectives/financial-planning/how-to-set-financial-goals.html>

45. D

EDGAR and the company's website. Before purchasing stock in a particular company, you should conduct thorough research on the company. Two important resources to access when doing this research are the company's website and Electronic Data Gathering and Retrieval (EDGAR). Many publicly traded companies have websites where you can find their annual reports and any other information and filings they have made public throughout the year. EDGAR is a section of the SEC website. All of the company's mandatory filings (required by the SEC) are housed in EDGAR. Although the Statement of Ownership is typically included in company financial statements, it would not necessarily be an example of one of the most important resources to access prior to investing. ESOP stands for employee stock ownership plan, which is a system for employees to purchase stock of the company they work for.

SOURCE: Investing Grade 8

SOURCE: Yochim, D. (2024, August 29). *Stock research: How to do your due diligence in 5 steps*. Retrieved October 21, 2024, from <https://www.nerdwallet.com/article/investing/how-to-research-stocks>

46. A

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

SOURCE: Saving Grade 8

SOURCE: U.S. Bank. (2024). *How to set financial goals*. Retrieved October 21, 2024, from <https://www.usbank.com/wealth-management/financial-perspectives/financial-planning/how-to-set-financial-goals.html>

47. C

Considering your aptitudes will make achieving your career goals realistic. An aptitude is your potential for learning a skill. It is similar to having a knack for something. Pursuing a career in an area that comes naturally to you will make it more realistic to achieve your career goals. Though matching aptitudes to a career is likely to lead to career success and satisfaction, it does not consider income. Aptitudes are neither positive nor negative. Each person has a different set of aptitudes. Time spent in college is not necessarily affected by aptitude. As an example, although a person has an aptitude for medicine, they must still complete college and medical school.

SOURCE: Earning Income Grade 8

SOURCE: ASVAB. (2024, October 17). *Ask ASVAB: What is aptitude?* Retrieved October 21, 2024, from <https://www.asvabprogram.com/media-center-article/207>

48. C

Employers. Businesses must pay unemployment taxes (FUTA) to the federal government for each of their employees. The purpose of the tax is to fund the federal unemployment account, which provides financial assistance to workers who lose their jobs due to organizational downsizing, restructuring, etc. Workers and managers are employees. A facilitator is a person who guides a group's discussions and may be a worker or a manager in a business. Workers, managers, and facilitators do not pay federal unemployment taxes.

SOURCE: Managing Risk Grade 12

SOURCE: Indeed. (2024). *Who pays for unemployment? A primer for employers.* Retrieved October 21, 2024, from <https://www.indeed.com/hire/c/info/who-pays-for-unemployment?>

49. B

Use it to manage payments for a large purchase. Credit cards provide a convenient way to finance a large purchase by making smaller monthly payments. It's not wise to use a credit card for small purchases and monthly expenses because doing so creates a large balance that can be difficult to pay for.

SOURCE: Managing Credit Grade 12

SOURCE: Lake, R. (2024, May 31). *How to use a credit card.* Retrieved October 21, 2024, from <https://www.investopedia.com/how-to-use-a-credit-card-5069558>

50. A

Overestimate the amount of loss. Fraud is a deception purposely carried out to secure unfair or unlawful gain. If a person deliberately overestimates the amount of loss in an attempt to receive a larger settlement, they might be involved in insurance fraud. The person is trying to obtain compensation for a loss they did not incur. A person is not involved in insurance fraud if they attempt to reduce the coverage, calculate the value of property, or limit their scope of liability.

SOURCE: Managing Risk Grade 12

SOURCE: FBI. (n.d.). *Insurance fraud.* Retrieved October 21, 2024, from <https://www.fbi.gov/stats-services/publications/insurance-fraud>

51. C

Stock prices will decrease. The strength of the economy is related to the strength of financial markets. Economic indicators such as the unemployment rate can impact financial markets. When the unemployment rate increases, it is a sign that the economy is faltering, which means that stock prices are likely to decline. Gross Domestic Product, the Consumer Price Index, and retail sales are economic indicators rather than aspects of a financial market.

SOURCE: Investing Grade 12

SOURCE: Maverick, J.B. (2024, February 15). *Key indicators for following the stock market and economy.* Retrieved October 21, 2024, from <https://www.investopedia.com/ask/answers/032415/what-are-most-common-market-indicators-follow-us-stock-market-and-economy.asp>

52. D

Charitable giving. People donate items, money, and even time to organizations they feel are doing important work, such as addressing issues in the community. Donations to these organizations are a form of charitable giving. Because Maisie wants to support the organizations doing work in her community, she should consider giving a portion of her paycheck each month to charity. Contributing money to property tax, professional development, or retirement planning will not support organizations in the community.

SOURCE: Spending Grade 12

SOURCE: Charities Aid Foundation. (2023). *Five reasons to give to charity*. Retrieved October 21, 2024, from <https://www.cafonline.org/my-personal-giving/long-term-giving/resource-centre/five-reasons-to-give-to-charity>

53. A

A person with a brand new car that is financed by a loan. A brand new car has a great deal of value that should be fully insured, especially if it is financed by a loan. A 12-year-old car has much less value, so less insurance coverage is required. A wrecked car has little to no value, and an insurer is not likely to provide insurance coverage for it.

SOURCE: Managing Risk Grade 8

SOURCE: Liberty Mutual. (2024). *"Full coverage" car insurance*. Retrieved October 21, 2024, from <https://www.libertymutual.com/insurance-resources/auto/full-coverage-car-insurance>

54. C

Creditor. Creditors are individuals or businesses to whom a business or individual owes money or from whom it wants to borrow money. In this situation, a bank is most likely to be the creditor from which the restaurant is borrowing money. The debtor, in this situation the restaurant, is the individual or business who owes money to the creditor. The debtor would also be considered a borrower. A wholesaler is an intermediary who helps to move goods between producers and retailers by buying goods from producers and selling them to retailers.

SOURCE: Managing Credit Grade 8

SOURCE: Chen, J. (2023, February 20). *What is a creditor, and what happens if creditors aren't repaid?* Retrieved October 21, 2024, from <https://www.investopedia.com/terms/c/creditor.asp>

55. A

Pay his bills by the date they are due. The most important thing Eito can do to rebuild his credit is to pay his bills by the date they are due. A lot of new credit can hurt a person's credit history, and Eito should not apply for more credit while he is trying to rebuild his credit score. Closing older credit cards is not the best choice, because longer term credit actually helps a person's credit score. Eito should try to lower the amount of money owed instead of increasing it.

SOURCE: Managing Credit Grade 8

SOURCE: Luthi, B. (2024). *How to build credit: A comprehensive guide*. Retrieved October 21, 2024, from <https://www.experian.com/blogs/ask-experian/credit-education/improving-credit/building-credit/>

56. D

Technological developments. Entrepreneurs who do not keep up with their industry's technological developments 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 products that those who do not keep up with technology cannot. Consumers do not establish pricing strategies; businesses create them. Personal distribution policies for companies are important in regard to serving customers but do not necessarily relate to the industry's technological developments. Watching their suppliers' buying trends does not necessarily help businesses stay competitive in their industries.

SOURCE: Earning Income Grade 12

SOURCE: LAP-PD-066—Own Your Own (Career Opportunities in Entrepreneurship)

57. A

Federal Deposit Insurance Corporation (FDIC). The Federal Deposit Insurance Corporation is an independent agency tasked with supervising and maintaining public confidence in financial institutions. The FDIC was created after the devastation of the Great Depression and insures deposits in the case of bank failures. The Bureau of the Fiscal Service is part of the U.S. Department of Treasury and is responsible for managing the government's accounting and public debts, including voluntary donations. The Bureau of Economic Analysis is part of the U.S. Department of Commerce and is responsible for providing official statistics regarding the economy. The Department of Health and Human Services (HHS) is responsible for protecting public health and providing human services.

SOURCE: Saving Grade 12

SOURCE: Kagan, J. (2023, March 14). *Federal deposit insurance corp. (FDIC): Definition & limits*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/f/fdic.asp>

58. D

Training and education. A thorough job orientation helps the worker to cope with anxieties about a new job. It should give the worker a clear understanding of what the job is about so that the worker has a good start toward high levels of productivity. The general conditions in which employees work is known as their quality of work life. Mass production is the production of a few products in large quantities. Participative decision making is the involvement of workers in the decision making of the business.

SOURCE: Earning Income Grade 8

SOURCE: LAP-EC-913—Make the Most of It (Productivity)

59. A

Identify spending habits. By periodically planning out their income and expenses, individuals can identify where they are spending unnecessarily and where they should be spending more. While budgeting can lead to more funds, which in turn lead to more investment opportunities in the future, budgets themselves cannot be used as investment tools. Corporate budgets can sometimes plan for the hiring of new employees, but a personal budget would not incorporate such a factor. Budgets cannot be used to find legal loopholes.

SOURCE: Spending Grade 8

SOURCE: Bank of America. (2024). *Creating a budget*. Retrieved October 21, 2024, from <https://bettermoneyhabits.bankofamerica.com/en/saving-budgeting/creating-a-budget>

60. D

Monthly income. Monthly expenses should be budgeted for and paid with monthly income. It is not wise to pay regular expenses with credit cards regardless of any low rates, because it can lead to poor spending habits and create large credit card balances that are difficult to pay. Savings should not be used for budgeted monthly expenses.

SOURCE: Spending Grade 8

SOURCE: Swenson, S. (2024, January 9). *How to calculate your gross income per month*. Retrieved October 21, 2024, from <https://www.fool.com/investing/stock-market/basics/gross-monthly-income/>

61. D

Predatory lending. Predatory lending includes a variety of home mortgage lending practices that impose unfair terms on a borrower. Predatory lenders target people who otherwise would likely not qualify for loans, such as those with low credit and those who are unemployed. A Ponzi scheme occurs when high rates of return are paid to initial investors out of funds from later investors who lose all of their money. Affinity group fraud occurs when scam artists use people's religious or cultural identity to gain their trust. Pump and dump involves artificially inflating the price of a stock through false and misleading statements.

SOURCE: Managing Credit Grade 12

SOURCE: Hayes, A. (2023, May 23). *Predatory lending: How to avoid, examples, and protections*. Retrieved October 21, 2024, from https://www.investopedia.com/terms/p/predatory_lending.asp

62. B

It's a well-established company. Typically, well-established companies are the ones that pay dividends. Companies that are still growing tend to put their profits back into their companies and, therefore, do not pay dividends. Whether or not a company is trying to rid itself of cash, or is paying back a loan, cannot be determined by the numbers in the dividend column of a stock table.

SOURCE: Investing Grade 8

SOURCE: Hayes, A. (2024, June 24). *Dividend payout ratio definition, formula, and calculation*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/d/dividendpayoutratio.asp>

63. B

Pru can take on more investment risk. Young investors have more time to recover from market fluctuations than someone who is older. Therefore, young investors can afford to take more risks when investing than older individuals can. The stock market does not experience constant, sustained growth. Instead, it can go up or down and does not grow all the time. If someone is able to invest in the market and have success with growth over time, the proceeds could be used to pay off loans in the future, but not right now. Investing in the market has very little to do with establishing credit.

SOURCE: Investing Grade 8

SOURCE: Chen, J. (2024, May 16). *Risk: What it means in investing, how to measure and manage it*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/r/risk.asp>

64. B

As soon as each transaction is made. To keep accurate records, you need to record all information in your budget tracker as each transaction occurs. This will help you follow a budget and avoid overspending. Waiting to record transaction information until bank statements are received/reconciled or when you possess insufficient funds for a transaction is all too late and can potentially be problematic.

SOURCE: Spending Grade 12

SOURCE: Bank of America. (2024). *Creating a budget*. Retrieved October 21, 2024, from <https://bettermoneyhabits.bankofamerica.com/en/saving-budgeting/creating-a-budget>

65. A

She hasn't accounted for payroll taxes. Payroll taxes are subtracted from a person's gross income, which typically reduces a person's net pay by 20% or more. If Sasha's earnings are reduced by 20%, she will only have \$448 left over to meet her expenses. With the information provided, it is not possible to determine if her expenses are too high or whether she has accounted for health-care costs. A person's ability to save 10% is determined by many factors and is not always possible.

SOURCE: Earning Income Grade 8

SOURCE: Kagan, J. (2024, June 11). *The basics on payroll tax*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/p/payrolltax.asp>

66. B

The day's closing price and the previous day's price. Net change shows the difference between the prices of the one recorded on the stock table and the previous day's price. The highest and lowest prices for the year are found in the 52-week Hi/Lo column. Last year's and this year's average prices and the highest and lowest prices for the day do not appear on stock tables.

SOURCE: Investing Grade 8

SOURCE: CFI. (2024). *Net change*. Retrieved October 21, 2024, from <https://corporatefinanceinstitute.com/resources/wealth-management/net-change/>

67. A

To give debtors a financial fresh start. Bankruptcy is a legal proceeding that is carried out when a person or business is unable to repay their debts. Bankruptcy is often viewed as a second chance for the debtor, as it offers them a chance for a financial fresh start by forgiving debts that cannot be repaid. In addition, bankruptcy laws give the creditors a chance to obtain some measure of repayment. The main purpose of bankruptcy laws isn't to punish debtors for their debt, to give lenders the opportunity to sue, or to increase the debtor's amount of debt.

SOURCE: Managing Credit Grade 12

SOURCE: Tuovila, A. (2024, May 24). *Bankruptcy explained: Types and how it works*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/b/bankruptcy.asp>

68. C

The amounts vary from card to card. Annual fee amounts vary from credit card to credit card. Some cards have no fee at all. There is no law stating how much annual fees can be. Even when a customer pays an annual fee, they must still pay finance charges on their outstanding balance.

SOURCE: Managing Credit Grade 8

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

69. D

They help you develop a personalized plan. Credit counselors help individuals with managing their money, offer solutions to financial problems, and help develop personalized plans in an effort to prevent future financial issues. Credit counselors do not collect money from you and do not disburse funds to a creditor on your behalf. They do not collect money upfront or before their service is rendered. Debt management companies help create plans that are tailored to what you can realistically afford on a monthly basis. Debt management companies require a collection of money, as they use that money to pay the creditor on your behalf. A debt settlement program negotiates with your creditors to allow you to pay a settlement to resolve your debt. This settlement is a lump sum that is less than the full amount that you owe.

SOURCE: Managing Credit Grade 12

SOURCE: State of Michigan. (2024). *Managing and reducing debt*. Retrieved October 21, 2024, from <https://www.michigan.gov/reinventretirement/education/decisions/managing-and-reducing-debt>

70. A

Net income; compound. Net income, also known as take-home pay, is money remaining after deductions (such as health insurance premiums or retirement account contributions) have been taken out of the gross income, or the total amount of money an employee is paid before deductions. When Josh contributes to his retirement account, he decreases his net income. Compound interest earns interest upon interest, while simple interest earns interest on the principal loan. When Josh deposits money into a retirement account, such as a traditional individual retirement account (IRA) or a registered retirement savings plan (RRSP), he benefits from compound interest.

SOURCE: Investing Grade 8

SOURCE: Yochim, D. (2024, September 26). *How to save for retirement*. Retrieved October 21, 2024, from <https://www.nerdwallet.com/article/investing/how-to-save-for-retirement>

71. C

Save money for emergency situations. It is important to allocate a portion of savings to pay for unexpected expenses that occur in day-to-day life. At some point, everyone will have a car or home appliance that breaks down and needs repaired or replaced. Individuals do not use long-term investments to pay for immediate or short-term expenses. If you don't save money for emergency situations, you may need to cut back on the money you spend on entertainment (e.g., going to the movies) for a while, but you shouldn't need to eliminate entertainment expenses altogether. Investing money that you receive from your tax return will not help you cover unexpected or emergency expenses.

SOURCE: Saving Grade 8

SOURCE: Vanguard. (2024). *Emergency fund*. Retrieved October 21, 2024, from <https://investor.vanguard.com/investor-resources-education/emergency-fund>

72. D

Protection. Consumer protection attempts to make the consumption of goods and services less risky for the ultimate users of products. In our free market economy, consumers have the right to be protected. If businesses do not try to protect consumers from unsafe products, then government agencies will enforce laws that require businesses to do so. Consumer spending is the total amount of money that is spent on products that are obtained for personal use. Consumer confidence is the faith that ultimate product users have in a business or its products. Consumer marketing involves all activities that help make goods available to ultimate product users.

SOURCE: Spending Grade 12

SOURCE: LAP-PM-917—Protect and Serve (Consumer Protection)

73. B

How long your money is invested. The most important factors to consider in compounding growth are how much money you invest, how much your investment grows each year, and how long your money is invested. Investing is using money to make money, which means that if you invest money in the stock market, for example, you are likely to make an average of 10% each year. As the years pass, your investment will grow tremendously because you will be earning interest on interest. So, it is beneficial to invest for as long as possible to earn the largest amount of compound interest as possible. How you earn the money that you invest, your educational background and career, and your mutual fund manager's education have a much smaller impact on compounding growth than time does.

SOURCE: Saving Grade 8

SOURCE: Chen, J. (2024, August 1). *Compounding interest: Formulas and examples*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/c/compounding.asp>

74. C

Claiming the loss as a tax deduction. The difference between the cost of an investment and the selling price of that same investment is either a capital gain or capital loss. The federal government taxes the capital gains on investments. If an investment suffers a loss in value in relation to its purchase price, the government allows the owner to claim the loss as a tax deduction. Liquidating remaining assets, obtaining a loan, and renegotiating lower insurance premiums may provide the investor with needed cash or savings, but these actions do not change or minimize the monetary loss on the investment property.

SOURCE: Investing Grade 12

SOURCE: Kagan, J. (2024, August 29). *How to deduct stock losses from your tax bill*. Retrieved October 21, 2024, from <https://www.investopedia.com/articles/personal-finance/100515/heres-how-deduct-your-stock-losses-your-tax-bill.asp>

75. D

Validating credit history. If Eric had not checked his credit score, he would not have known that the credit bureau mishandled his report. This example shows one of the steps for buying a house, but it is not an example of the importance of buying a house. Paying rent on time is one way to develop good credit; neither are truly illustrated in this example.

SOURCE: Managing Credit Grade 8

SOURCE: Luthi, B. (2024, May 10). *What is a debt validation letter?* Retrieved October 21, 2024, from <https://www.experian.com/blogs/ask-experian/what-is-debt-validation-letter/>

76. A

Insider trading. Insider trading occurs when a company's owners, directors, or key management trade its stock. In some cases, insider trading is legal. It is illegal, however, when these individuals trade their company's stock based on information that is not disclosed to the public. Affinity fraud is an investment scam in which the scammer claims to be a member of the group they are targeting. Affinity fraud often takes the form of a Ponzi or pyramid scheme. Accounting fraud occurs when a company or organization knowingly publishes incorrect information on its financial statements. Phishing is an online identity theft scam that fools its victims into believing they are submitting sensitive, personal information (such as credit card numbers or bank passwords) to a legitimate website.

SOURCE: Investing Grade 12

SOURCE: Ita, D.-A. (2024, September 23). *What is insider trading and when is it legal?* Retrieved October 21, 2024, from <https://www.investopedia.com/terms/i/insidertrading.asp>

77. B

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

SOURCE: Earning Income Grade 12

SOURCE: Upskillist. (n.d.). *The importance and benefits of professional development*. Retrieved October 21, 2024, from <https://www.upskillist.pro/blog/the-importance-and-benefits-of-professional-development/>

78. A

Worker productivity. Worker productivity is often measured by the amount of work produced in an hour or a day. Specialization, job simplification, and division of labor are methods of increasing worker productivity. Specialization is the process of making the best use of resources in the production of goods and services. Division of labor is dividing a large job into units, or job tasks, and assigning an individual to do each of the tasks. Job simplification is the process of making changes in a job task so that the job can be done more easily or quickly.

SOURCE: Earning Income Grade 8

SOURCE: LAP-EC-913—Make the Most of It (Productivity)

79. A

Pay your credit card balance on time each month. Avoiding debt entirely may be unrealistic, but one of the best ways to prevent debt from overwhelming your budget is to pay your credit card balance on time. Paying your credit card balance on time also improves your credit rating, which can help you be approved for loans and credit cards with lower interest rates. Making the minimum payment on credit accounts generally leads to more debt, because minimum payments lead to accumulated interest. Using credit cards to pay for what you can't afford will also lead to interest-related debt. Using cash to pay for things is a good way to avoid debt, but for many people paying in cash is not always possible.

SOURCE: Managing Credit Grade 8

SOURCE: McGurran, B. (2024, February 29). *8 tips to avoid debt*. Retrieved October 21, 2024, from <https://www.experian.com/blogs/ask-experian/tips-to-avoid-debt/>

80. C

Revolving. Customers with revolving credit accounts can avoid finance charges by paying the balance due on the account by the end of each 30-day period. There is usually a limit on the total amount of the customer's monthly charges. Cycle billing determines the dates customers receive statements. Regular credit requires balances to be paid in full each month. Installment credit requires a down payment and payments at regular intervals.

SOURCE: Managing Credit Grade 8

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

81. C

Make a list of her goals. The first step to achieving financial goals is identifying the goals and making a list. Prioritizing financial goals comes after making a list of goals. After listing her goals and organizing them by importance, Scarlet will want to evaluate her budget and automate as many payments as possible.

SOURCE: Spending Grade 8

SOURCE: U.S. Bank. (2024). *How to set financial goals*. Retrieved October 21, 2024, from <https://www.usbank.com/wealth-management/financial-perspectives/financial-planning/how-to-set-financial-goals.html>

82. B

Investor Relations. Most publicly traded companies have an "Investor Relations" section within their websites where individuals such as Anna can find the companies' annual reports as well as any other information and filings they have made public throughout the year. Some companies also devote a portion of their websites to "Sustainability," which emphasizes the companies' dedication to impacting the environment and society in positive ways. The "Public Relations" component of most companies' websites contains press releases, press kits, and media resources such as product images and information. The "Leadership" section typically contains biographical profiles of senior executives and members of the board of directors.

SOURCE: Investing Grade 8

SOURCE: Southern New Hampshire University. (2023, October 17). *FAQ: What are investor relations websites? What information can I find there?* Retrieved October 21, 2024, from <https://libanswers.snhu.edu/faq/338975>

83. A

Liability. Liability insurance protects the policyholder from claims of bodily injury or property damage caused by the policyholder's vehicle. It also pays for repairs needed as a result of the accident. Health insurance helps to pay medical bills. Whole-life insurance pays the insured's beneficiaries when the insured dies. Property insurance covers losses to real and personal property.

SOURCE: Managing Risk Grade 12

SOURCE: Kagan, J. (2022, June 21). *Liability insurance: What it is, how it works, major types*. Retrieved October 21, 2024, from https://www.investopedia.com/terms/l/liability_insurance.asp

84. D

Job shadowing. There are many opportunities for individuals to learn about careers. Job shadowing involves observing an individual perform their daily job activities in the workplace. Internships are training in which businesses provide on-the-job practice for learners. Internships are often coordinated with schools and may be paid or unpaid, lasting a certain amount of time. An exploratory interview involves asking an experienced businessperson questions about their career, field, or industry. Service learning involves an organized volunteer effort associated with a specific school, community, or organization.

SOURCE: Earning Income Grade 8

SOURCE: Kaplan, Z. (2024, April 8). *What is job shadowing? Definition, benefits, and how to set it up*. Retrieved October 21, 2024, from <https://www.theforage.com/blog/basics/job-shadowing>

85. D

A 529 plan. A 529 plan is an education savings account that grows tax-deferred and offers tax-free withdrawals for qualified education expenses. Money from 529 plans can be used for various tuitions (e.g., elementary, secondary, college) as well as books and school supplies, campus food and meal plans, and student loan payments. A 457 plan is a tax-deferred retirement plan available to state and local government employees. An expense account is an arrangement between an employee and the employer in which the employee keeps track of business-related expenses and reports them to the employer for reimbursement. A checking account is a deposit account held at a financial institution and is not a type of education savings account.

SOURCE: Saving Grade 12

SOURCE: Kagan, J. (2024, September 6). *529 plan: What it is, how it works, pros and cons*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/1/529plan.asp>

86. B

Passion. Regardless of where their strengths and weaknesses lie, there is one thing that all entrepreneurs have in common—passion. All successful entrepreneurs have passion for what they do, and their businesses are successful because they enjoy their work. Many entrepreneurs start their businesses so they can enjoy or share a natural talent, interest, or hobby that is important to them. Athleticism is not a trait that all entrepreneurs must have. Entrepreneurs should be open-minded and optimistic.

SOURCE: Earning Income Grade 8

SOURCE: LAP-PD-066—Own Your Own (Career Opportunities in Entrepreneurship)

87. B

Capital gains. Capital gains are profits made from the sale of an asset, including property. Devon received capital gains when he sold his property for more than what he paid for it. Sales revenue is the total amount of money earned by a business through sales of goods and services. Disposable income is the amount of money people have to spend, or dispose of, after they have paid their taxes. Estate tax is a tax on the right to transfer property after a person is deceased.

SOURCE: Earning Income Grade 12

SOURCE: Orem, T. (2024, October 22). *Capital gains tax: How it works, rates and calculator*. Retrieved October 22, 2024, from <https://www.nerdwallet.com/article/taxes/capital-gains-tax-rates>

88. A

Short-term; long-term. Saving money involves putting away a portion of your income to use in the future. This may involve placing money in a savings account where you can easily withdraw the funds when you need them. Saving money can help you achieve your short-term goals such as buying a new computer or taking a trip. Often, people use their savings to make investments. Investing money involves using money to make money. By investing your money, you can make more money than you can with just income and savings. The money you make from your investments can help you achieve your long-term goals such as funding your children's college education, starting your own business, or using it for living expenses when you retire. Your career goals involve your vocation, occupation, or profession and do not always involve saving or investing money.

SOURCE: Saving Grade 8

SOURCE: PNC. (2024, May 13). *The benefits of saving money*. Retrieved October 21, 2024, from <https://www.pnc.com/insights/personal-finance/save/benefits-of-saving-money.html>

89. D

A fire or lightning. Typical homeowners insurance will cover damage caused by a fire or lightning. It will also cover damage or destruction of a home caused by a hurricane, hail, or other disasters listed in a policy. In addition, typical homeowners insurance offers coverage for your personal belongings, liability protection, and coverage for additional living expenses. A standard policy will not pay for damage caused by a flood or an earthquake, as those will often require a supplemental or separate policy. General wear and tear and damage caused by termites or bugs are also not covered, as those are damages that result from neglect or a failure to properly maintain a property.

SOURCE: Managing Risk Grade 8

SOURCE: Travers, J., & Sabatina, A. (2024, August 21). *What does homeowners insurance cover?* Retrieved October 21, 2024, from <https://www.usnews.com/insurance/homeowners-insurance/what-does-homeowners-insurance-cover>

90. B

Online brokerage firm. Online brokerage firms provide clients with securities information via the internet. Generally, online brokerage firms offer fewer services than full-service brokerage firms, so clients assume more responsibility for managing their own investments. A stockbroker is a licensed person who has the authority and expertise to buy and sell securities on behalf of a client. Stockbrokers often charge high fees or earn high commissions. Certified insurance agents and risk management officers do not always possess securities expertise or have reliable information about securities.

SOURCE: Investing Grade 12

SOURCE: Hayes, A. (2024, October 4). *What is a brokerage firm? How it makes money, and types*. Retrieved October 23, 2024, from <https://www.investopedia.com/terms/b/brokerage-company.asp>

91. C

The cash value of whole life insurance can grow over time. A general benefit to whole life insurance is that cash value can grow over time, almost like an investment. Term life insurance plans have lower premiums, not whole life. And, term life policies can have different policy lengths. Estate taxes are taken out of whole life insurance sums.

SOURCE: Managing Risk Grade 12

SOURCE: Progressive. (2024). *Term vs. whole life insurance: What are the differences?* Retrieved October 21, 2024, from <https://www.progressive.com/answers/term-vs-whole-life-insurance/>

92. B

Tax-deferred income. Certain types of investments or funds are not taxed until the money is being used, such as money in an individual retirement account (IRA) that retirees use for living expenses. Capital gains refers to the difference between the purchase price and selling price of an investment. For example, the capital gains on a house purchased for \$250,000 and sold for \$300,000 is \$50,000. Dividends are subject to dual taxation—both the company and the shareholder pay tax on stock earnings. Tax-exemption involves money that is not taxed, such as certain types of charitable donations.

SOURCE: Saving Grade 12

SOURCE: Kagan, J. (2023, December 13). *Tax deferred: Earnings with taxes delayed until liquidation*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/t/taxdeferred.asp>

93. D

Credit. Credit allows businesses and individuals to buy now and pay later. Interest is the fee lenders charge borrowers for the use of credit. Collateral is anything of value belonging to the borrower that is pledged to the lender to guarantee that the loan will be repaid. Collateral is a form of security for the lender.

SOURCE: Managing Credit Grade 8

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

94. B

Pay stub. Your pay stub is a good source of information regarding your gross pay, deductions, and net pay. If your pay is directly deposited in your bank account, your bank can tell you what your net pay is, but it would have no idea about your gross pay or deductions. Your timecard indicates the hours that you have worked during a particular pay period. A W-4 indicates how many exemptions you want to claim.

SOURCE: Earning Income Grade 8

SOURCE: ADP. (2024). *Pay stub*. Retrieved October 21, 2024, from <https://www.adp.com/resources/articles-and-insights/articles/p/pay-stub.aspx>

95. B

Review the charity's mission and programs. When researching charitable and nonprofit organizations, you should review the charity's mission and programs before donating. You should know how an organization uses donations before contributing money, items, or time. Auditing the organization's annual report and studying the work history of its staff will not help you vet charitable and nonprofit organizations prior to donating. Checking your bank account statements is recommended after donating to verify everything has proceeded as planned.

SOURCE: Spending Grade 12

SOURCE: Global Wealth Advisors. (2024). *5 things to know before you donate*. Retrieved October 21, 2024, from <https://www.gwadvisors.net/blog/before-you-donate/>

96. B

Penny stocks. Penny stocks are valued at less than \$5 and are considered highly speculative. Blue-chip stocks are dependable and have a large market capitalization. IPO stocks are issued when a company goes public. ESG stocks highlight environmental protection, social justice, and ethical corporate governance practices. Neither blue-chip, IPO, nor ESG stocks are valued at less than \$5.

SOURCE: Investing Grade 12

SOURCE: Smith, T. (2023, June 1). *Types of stocks*. Retrieved October 21, 2024, from <https://www.investopedia.com/types-of-stocks-5215684>

97. B

Check himself and others for injuries. The first thing Tanner should do after the collision is check himself and others for injuries. If someone is hurt or there is significant damage caused as a result of the collision, Tanner should call the police for assistance. Checking for injuries will also give Tanner information needed for filing an insurance claim. Although Tanner should also call his insurance company, take photos of any damage, and gather contact information from witnesses—all of which will be important when filing an insurance claim—these should not take precedence over checking for injuries after the collision.

SOURCE: Managing Risk Grade 8

SOURCE: Ramsey Solutions. (2024, May 28). *How to file an insurance claim: Everything you need to know*. Retrieved October 21, 2024, from <https://www.ramseysolutions.com/insurance/how-to-file-an-insurance-claim>

98. D

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

SOURCE: Spending Grade 8

SOURCE: Chen, J. (2024, June 29). *Debt: What it is, how it works, types, and ways to pay back*. Retrieved October 21, 2024, from <https://www.investopedia.com/terms/d/debt.asp>

99. C

The money is immediately taken from her bank account each time she pays. Debit cards are linked to a bank account. When you make a purchase using a debit card, the money is immediately taken from your linked account and used for the purchase. Like cash, once you pay with a debit card, the money is instantly gone from your possession. Using a debit card, however, is a distinct payment method and is not the same as using cash. If Jamie used a credit card to pay for her rent, she would be using future funds—money that she would promise to pay later.

SOURCE: Spending Grade 8

SOURCE: Cussen, M. (2024, March 25). *Credit cards vs. debit cards: What's the difference?* Retrieved October 21, 2024, from <https://www.investopedia.com/articles/personal-finance/050214/credit-vs-debit-cards-which-better.asp>

100. C

Quality of work life. To create a productive, cooperative atmosphere, businesses should offer fair salaries and wages, competitive benefits, and safe and healthful working conditions for employees. Because Vivian feels safe and comfortable in her job, she can work more productively. Specialization is a form of efficiency—making the best use of the resources available. When a business specializes, it produces the good(s) or service(s) it is best able to produce with its resources. Communication is important because it helps each worker understand company goals and their role in reaching those goals. Participative decision-making involves employees in decisions and allows workers to make suggestions to improve the organization. This helps employees take pride in their jobs and become more productive.

SOURCE: Earning Income Grade 12

SOURCE: LAP-EC-913—Make the Most of It (Productivity)