



SAMPLE EXAM

PERSONAL FINANCIAL LITERACY

THE PERSONAL FINANCIAL LITERACY EXAM IS USED
FOR THE FOLLOWING EVENT:

PERSONAL FINANCIAL LITERACY **PFL**

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

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1. Every year since she was born, Sophia's grandparents invested \$100 on her birthday. Sophia is now 18 and the investment has grown large enough to pay for most of her college expenses. Her grandparents explain that this is because her money has grown in two ways: by earning interest, and then by earning interest on that interest. This is an example of
 - A. simple interest.
 - B. present value.
 - C. inflation.
 - D. compound interest.
2. One advantage to setting attainable goals is that you
 - A. are less likely to become discouraged.
 - B. can measure your progress.
 - C. work harder to achieve a very high goal.
 - D. can picture it in your mind.
3. Which of the following is a financial concern that entrepreneurs often face when starting new businesses:
 - A. Shorter vacations
 - B. Long working hours
 - C. Irregular paychecks
 - D. Lower production standards
4. A business advertised new-product financing with a 10% down payment and a low interest rate with monthly payments spread over 4 years. What type of loan was the business offering?
 - A. Single payment loan
 - B. Installment loan
 - C. Cash payment
 - D. Revolving credit loan
5. What is the purpose of using diversification strategies?
 - A. To decrease equity
 - B. To reduce risk
 - C. To control debt
 - D. To manage price
6. Which of the following statements accurately explains the concept of homeowner's insurance:
 - A. Homeowner's insurance protects the homeowner from associated risks such as damage or injuries to others.
 - B. Homeowners' insurance is protection purchased by a risk-sharing firm or insurance company from individual homeowners.
 - C. Homeowners' insurance is purchased following a disaster to provide financial reimbursement for losses sustained.
 - D. Homeowner's insurance protects an owner from the loss of their home if they should become disabled and have to claim bankruptcy.

7. When health insurance is available through an employer, the cost to the employee is typically
- A. paid for by the employer.
 - B. higher than an individual policy.
 - C. lower than an individual policy.
 - D. paid for by the government.
8. When preparing a personal income tax return, which of the following is multiplied by the tax rate to determine tax owed:
- A. Unemployment compensation
 - B. Taxes withheld
 - C. Total income
 - D. Taxable interest
9. Jenny is a single mother of two boys. Since she has children, Jenny spends most of her money on clothing, food, and school supplies—and the rest of her disposable income is put into savings accounts for her sons' education. If Jenny didn't have children, she would likely spend more money on herself. Jenny's situation demonstrates
- A. the impossibility of saving enough money for college as a single parent.
 - B. the necessity of saving money for college before children are even born.
 - C. how financial responsibility is different for individuals nearing retirement.
 - D. how financial responsibility is different for people with dependents.
10. The lowest price at which owners of ABC stock are willing to sell their shares is \$23.70, also known as the _____ price.
- A. demand
 - B. bid
 - C. buy
 - D. ask
11. Geraldo, who is considering whether or not to invest in Coffee Dreams, Inc., is studying information about the company on a stock table. One piece of data that he is interested in reviewing is the difference between the stock's closing price and the previous day's closing price. Geraldo should review the
- A. ticker symbol.
 - B. 52-week high and low.
 - C. price-earnings ratio.
 - D. net change.
12. Imagine you just bought a home. Which of the following is a responsibility you have to ensure the safety of other people:
- A. Watering flowers and bushes in your backyard
 - B. Painting your house a different color
 - C. Shoveling snow off the sidewalk on your property
 - D. Power washing dirt stains off your driveway

13. Xavier has a large sum of money that he would like to earn interest on while waiting for a more profitable investment opportunity to become available in the near future. What type of investment vehicle should he place his money into temporarily?
- A. Mutual funds
 - B. Money market account
 - C. Savings account
 - D. Stocks
14. Patrice has several young children. When filing her taxes, a portion of her taxes owed is subtracted based on these dependents. This is an example of a tax
- A. liability.
 - B. deduction.
 - C. bracket.
 - D. credit.
15. What kind of insurance will help to pay your hospital bill if you are seriously ill?
- A. Homeowner's
 - B. Health
 - C. Liability
 - D. Disability
16. The 52-week high and low can tell investors
- A. if the company has a lot of debt.
 - B. if it is a good time to buy or sell.
 - C. whether to invest in a stock or mutual fund.
 - D. how many times a stock has been sold.
17. Dwayne earns \$41,500 per year as a purchasing agent for the RFT company. He also receives monthly stock dividend payments that total approximately \$1,684 per year. He rents out the apartment above his garage to his cousin Alvin for \$380 a month. What is Dwayne's total monthly income?
- A. \$4,492.33
 - B. \$3,978.66
 - C. \$5,522.33
 - D. \$3,598.66
18. Leena wants to start investing, but she does not know much about the stock market, nor does she have time to closely follow her portfolio. Leena should invest in
- A. mutual funds.
 - B. growth stocks.
 - C. insurance.
 - D. a savings account.

19. Malcolm has health insurance through his employer and must pay \$1,500 for his medical services before his insurance will begin paying for them. The \$1,500 that Malcolm must pay is the insurance
- A. deductible.
 - B. copay.
 - C. premium.
 - D. reserve.
20. Larry pays \$180 each month to National Insurance Corporation for his car insurance. Each month, Larry pays a _____ to National Insurance.
- A. deductible
 - B. tax
 - C. claim
 - D. premium
21. When Emory takes out a loan, she uses her house as collateral. Which type of loan is Emory using?
- A. Secured
 - B. Unsecured
 - C. Promissory
 - D. Installment
22. Richard earns \$14.55 per hour during a regular 40-hour work week, time-and-a-half for overtime, and double time on holidays. According to Richard's pay stub, he worked 49 hours last week. What is his total gross pay for last week if he worked the standard 40 hours plus 5 hours overtime and 4 hours on Saturday, which was New Year's Day?
- A. \$807.53
 - B. \$778.43
 - C. \$843.90
 - D. \$712.95
23. What type of insurance coverage should a new car owner purchase to protect their car from the risk of vandalism?
- A. Collision
 - B. Uninsured/Underinsured Motorist
 - C. Comprehensive
 - D. Liability
24. Louis wants to spend no more than \$400 (including sales tax) for a new computer. He is considering a few different options for how to pay for the computer. Which of the following forms of payment could result in a total cost to Louis of more than \$400:
- A. Debit card
 - B. Credit card
 - C. Personal check
 - D. Cash

25. Aria wants to invest her money, but she doesn't want to take much risk. She also wants to be able to access her money at any time. Which type of investment should she consider?
- A. A savings account
 - B. A certificate of deposit (CD)
 - C. Collectibles
 - D. Stocks
26. One way that individuals can obtain valuable work experience before applying for full-time paying positions is to
- A. attend summer school.
 - B. serve an internship.
 - C. research the industry.
 - D. complete an apprenticeship.
27. Which of the following sources would best help a high school student learn more about potential careers in their region or state:
- A. Town visitor information booths
 - B. Tax preparation centers
 - C. Retired relatives
 - D. Employees in the desired field
28. When comparing secured and unsecured loans, which of the following statements about secured loans is true:
- A. They reach maturity faster than other loans.
 - B. There is more risk involved for the lender.
 - C. Borrowers typically get lower interest rates.
 - D. Borrowers don't need to provide collateral.
29. Investing involves using money to _____, while saving involves putting money away for _____ use.
- A. collect interest; historical
 - B. spend money; current
 - C. make money; future
 - D. contribute interest; public
30. Questions like "What are your investment goals?" and "What's your time horizon?" are useful in determining one's
- A. activity quota.
 - B. bond rating.
 - C. risk tolerance.
 - D. personal volatility.
31. If you are investing for a goal that you hope to reach within three years, you are investing for a(n)
- A. short-term time horizon.
 - B. risk-tolerant time horizon.
 - C. long-term time horizon.
 - D. intermediate-term time horizon.

32. Rachel set a financial goal of saving \$100,000 over the next five years. Her annual salary, however, is only \$30,000—and she has no other sources of income. Between paying for rent, food, clothing, and student loans, it's unlikely that Rachel will be able to save \$100,000 in five years. Rachel's goal is
- A. unattainable.
 - B. measurable.
 - C. timely.
 - D. irrelevant.
33. Which of the following is true regarding the use of credit cards:
- A. Credit cards allow you to spend money that you might not have.
 - B. Your credit history does not matter if you do not have a credit card.
 - C. Credit cards have no benefit and therefore should be avoided.
 - D. You only need to pay the minimum amount to avoid paying interest.
34. Successful entrepreneurs enjoy their work and often start their businesses so that they can share their interests and enthusiasm with others. In other words, successful entrepreneurs have _____ what they do.
- A. apathy for
 - B. passion for
 - C. concerns about
 - D. reservations about
35. The most likely reason an individual might turn a woodworking hobby into a business is because of
- A. guaranteed financial security.
 - B. personal satisfaction.
 - C. higher taxes.
 - D. sales quotas.
36. To help make tentative career decisions, you should know the educational and training requirements as well as
- A. the level of computer literacy and skills required.
 - B. the salary level to expect.
 - C. employment opportunities that will be available in the next decade.
 - D. your major strengths, aptitudes, and interests.
37. Which of the following is essential for making wise investment decisions:
- A. Intelligence
 - B. Knowledge
 - C. Age
 - D. Wealth

38. Andrew bought an expensive TV using a credit card he opened last year. He figured that he could afford the TV if he used credit instead of cash. After several months of making the minimum payment on his card, Andrew realizes that his balance is getting higher instead of lower. He checks the status of his credit line and realizes that his monthly payments have been going toward interest and fees—not to his TV purchase! Before he bought the TV using credit, Andrew should have
- A. opened a new credit account to minimize his responsibility.
 - B. considered how interest increases the cost of credit.
 - C. looked for another job to pay for his expensive purchase.
 - D. taken money out of his savings account to pay for the TV.
39. When you open a savings account, where can you find reliable information about the annual percentage yield (APY) of that account?
- A. Federal Deposit Insurance Corporation (FDIC)
 - B. The bank offering the savings account
 - C. An online review of the bank
 - D. A friend who uses the same bank
40. Which of the following is an example of entrepreneurship:
- A. Penelope asks her boss for a pay raise.
 - B. Wesley starts working for his mother's accounting firm.
 - C. Raul invests his money in the stock market.
 - D. Elissa starts a company when she develops a new app.
41. Why should you pay your credit card bill in full each month?
- A. When you pay in full, you can avoid accumulating interest.
 - B. When you pay in full, finance charges are applied.
 - C. When you pay in full, annual fees don't apply.
 - D. When you pay in full, your credit score will go down over time.
42. Shyla is most likely to use credit when paying for
- A. a curtain rod.
 - B. a delivery van.
 - C. office supplies.
 - D. stamps.
43. Developing a personal budget is an effective way to
- A. increase debt.
 - B. pay bills.
 - C. manage money.
 - D. calculate assets.
44. It is important to regularly track and analyze your budget because
- A. it is important to set financial goals.
 - B. changes in your life can affect your spending.
 - C. your income should remain steady.
 - D. fixed expenses are constantly changing.

45. A person with a negative attitude toward risk is called
- A. dauntless.
 - B. risk-tolerant.
 - C. risk-averse.
 - D. paranoid.
46. Kevin bought a refrigerator at a home improvement store. When it was delivered to his home, he discovered that there were faulty parts. Which of the following should he do first:
- A. Contact the place of purchase
 - B. Take legal action
 - C. Seek an arbiter
 - D. Call the refrigerator company's headquarters
47. Joe's financial goal is to have an emergency fund. To reach this goal, one of his first steps should be to
- A. set an aggressive deadline to motivate himself to be successful.
 - B. determine if this goal is short-term, medium-term, or long-term.
 - C. save as much money as he can and then calculate his total.
 - D. hire a financial advisor to provide expertise and guidance.
48. One of the best ways to protect yourself from online identity theft is to
- A. create passwords that are hard to guess.
 - B. always use public Wi-Fi networks.
 - C. review your credit report once every three years.
 - D. avoid firewalls and virus-detection software.
49. When Noah received his first paycheck, he was expecting to have earned \$1,200. However, probably because of _____, his paycheck was only \$976.
- A. company expenses
 - B. misbehavior
 - C. payroll taxes
 - D. interest payments
50. When the inflation rate _____, the interest rates tend to _____.
- A. decreases; increase
 - B. stabilizes; increase
 - C. increases; increase
 - D. increases; stabilize
51. Which amount listed on a paycheck stub represents an employee's actual take-home pay?
- A. Net pay
 - B. Gross pay
 - C. Overtime pay
 - D. Regular pay

52. What does the gross pay on a pay stub reflect?
- A. Overtime pay provided by the employer
 - B. All monetary income provided by the employer
 - C. Income left over after all deductions have been made
 - D. Retirement plan contributions made by the employee
53. Most financial professionals recommend setting aside six months' worth of expenses in an emergency fund. In which of the following situations would it make sense to access these funds:
- A. Down payment on a car
 - B. Unexpected medical bill
 - C. Property taxes
 - D. Business startup costs
54. Which of the following is a risk of using a debit card but not a risk of using a credit card:
- A. Compromised account information
 - B. Going into debt
 - C. Interest and fees
 - D. Overdrawing your account
55. Deacon has a credit card with an APR of 20% that uses an adjusted balance method to calculate interest. If he uses the credit card to purchase a \$600 item and pays \$200 per billing period, how much total interest will Deacon pay during the first three billing periods?
- A. \$48.21
 - B. \$25.30
 - C. \$20.44
 - D. \$10.00
56. Which of the following is a factor that businesses often consider when determining which employees to promote:
- A. Leadership ability
 - B. Ethnic background
 - C. Family status
 - D. Personal life
57. Shiori has just started her first full-time job as a customer service representative and is earning \$2,500 each month. She is working on a list of financial goals. Which of the following is an example of a realistic long-term financial goal for Shiori:
- A. Save \$150 every month to help buy a house in 5 years
 - B. Save \$3,000 every month for a retirement fund
 - C. Earmark \$50 each week to use for utility expenses
 - D. Save \$200 each month for a \$1,000 down payment on a used car
58. Which of the following demonstrates the use of money as a medium of exchange:
- A. Collecting gold coins
 - B. Saving cash in the bank
 - C. Paying cash for a pair of shoes
 - D. Pricing a product

59. While reviewing his credit report, Isaiah saw an inaccurate entry regarding a bank loan that he had obtained. The first step that Isaiah should take to correct the mistake is to
- A. file a claim with the federal banking agency.
 - B. file a complaint with the local business association.
 - C. contact the appropriate credit bureau.
 - D. contact the bank.
60. Michelle's primary reason for starting her own business is her desire to make her own schedule. Michelle is looking forward to the _____ she hopes to have as a business owner.
- A. personal commitment
 - B. flexibility and independence
 - C. advanced technology
 - D. tax breaks and deductions
61. Companies A and B have job openings for two similar positions. Company A is offering a salary of \$50,000. Company B is offering a salary of \$45,000 and also contributes an amount equal to 10% of an employee's salary to their retirement fund after they have been employed for a year. Which of the following employees would benefit the most by working for Company B:
- A. A person who is very skilled at making investments
 - B. Someone who will work less than one year
 - C. Someone who is not personally disciplined to save for retirement
 - D. A person who is personally disciplined to save for retirement
62. Compound interest helps build wealth by
- A. providing you with immediate cash.
 - B. increasing the value of your money over time.
 - C. qualifying you for federal grants.
 - D. decreasing the principal amount on loans.
63. According to Isaac's pay stub, his total earnings before deductions are \$1,425. His total deductions are \$255. What is Isaac's net income?
- A. \$1,298
 - B. \$1,425
 - C. \$1,170
 - D. \$1,680
64. Why is it important for individuals to periodically validate their credit histories?
- A. To avoid being denied credit
 - B. To understand credit laws
 - C. To protect themselves from slander
 - D. To find out about different types of credit

65. Because Elise paid her monthly credit card bill on April 16 instead of April 4, the credit card issuer added a \$25 charge to her May billing statement. This is an example of a(n) _____ fee.
- A. late
 - B. cash advance
 - C. balance transfer
 - D. annual
66. To perform his job, Andrew works with a complex database program. Recently, a new version of the database program that he uses was released. The new program is more powerful, efficient, and user-friendly. To learn how to use the program effectively, Andrew signed up to take a class at the community college. In this situation, Andrew is continuing his education so that he can
- A. ensure his employability.
 - B. obtain professional licensure.
 - C. update his technical skills.
 - D. change his career path.
67. At Noah's place of employment, employees are awarded raises and promotions based on how long they've been working for the company. These employees are recognized as a result of their
- A. seniority.
 - B. performance.
 - C. mentoring.
 - D. turnover.
68. Ethan has health insurance through his employer. Each time Ethan needs medical attention, he must write a check in the amount of \$25 to the doctor's office to cover his out-of-pocket expense. This out-of-pocket expense is Ethan's
- A. total premium.
 - B. surrender charge.
 - C. waiver.
 - D. copayment.
69. Which of the following is a benefit of credit cards over debit cards:
- A. Lower risk of debt
 - B. Interest payments
 - C. Convenience
 - D. Consumer protections
70. When calculating the future value of money, you will need to know the
- A. present value and interest rate.
 - B. par value and interest rate.
 - C. present value and exchange rate.
 - D. par value and exchange rate.

71. Which of the following is a behavior that can make consumers vulnerable to fraud:
- A. Making purchasing decisions based on emotions
 - B. Researching the product, service, or company
 - C. Showing a fair amount of skepticism when engaging a salesperson
 - D. Talking to a trusted individual about the product or service
72. Which of the following statements regarding personal loans is true:
- A. It is generally very difficult and time-consuming to be approved for a personal loan.
 - B. Personal loans generally have higher interest rates than secured loans.
 - C. Because they are low-risk, you don't need a high credit score to receive a personal loan.
 - D. Personal loans allow for very little flexibility and can only be used for very specific purposes.
73. An individual who understands the time value of money would wisely choose which of the following options:
- A. Wait one year to receive \$11,000 and earn 3% simple interest for three years
 - B. Wait four years to receive \$11,500
 - C. Receive \$11,000 and earn 1% simple interest for four years
 - D. Receive \$10,500 and earn 4% simple interest for four years
74. Which of the following is a common form of financial exchange:
- A. Investments
 - B. Liabilities
 - C. Cash payment
 - D. Insurance
75. The stock table column that tells you how many shares were traded that day is labeled
- A. VOL.
 - B. YLD %.
 - C. NET CHG.
 - D. DIV.
76. Julie is conducting online research to determine what type of laptop she wants to purchase. She is looking for a high-quality laptop but is working within a specific budget. How will conducting research before she makes a purchase likely impact her overall satisfaction?
- A. She will be more satisfied because she will only see positive reviews.
 - B. She will be more satisfied because it will help her save money.
 - C. She will be unsatisfied because it will require more effort on her part.
 - D. She will be unsatisfied because information will be often limited.
77. Ryan is in serious credit card debt. He used credit to purchase his car, pay for his rent, and even to take vacations. Ryan's debt has started to bother him. He can barely afford to make the minimum payments on his accounts. What outcome is Ryan likely to experience due to his financial irresponsibility?
- A. Low debt-to-income ratio
 - B. High chance of loan approval
 - C. Lower interest rates
 - D. Poor credit score

78. Which of the following would be most likely to help you determine whether you can be successful in a particular line of work:
- A. Contacting businesses that are part of the industry
 - B. Asking your counselor about opportunities in the field
 - C. Talking to someone who is currently employed in the field
 - D. Taking courses required of those who do that kind of work
79. What is the most negative information possible on a credit report?
- A. Lien
 - B. Bankruptcy
 - C. Collection agency report
 - D. Late payment
80. When using a debit card to pay for goods and services, the funds are electronically transferred from a(n)
- A. checking or credit account.
 - B. expense or interest account.
 - C. interest or savings account.
 - D. savings or checking account.
81. If Cheryl earns 3% compound interest on a \$700 investment, how much will her investment be worth in four years?
- A. \$787.86
 - B. \$721.00
 - C. \$820.46
 - D. \$784.00
82. State Street Bank sends text messages to its customers when \$100 or more are withdrawn from their bank accounts. The bank sends these notifications to reduce the risks associated with
- A. money laundering.
 - B. firewall intrusion.
 - C. identity theft.
 - D. loan fraud.
83. One of the reasons why it is important for employees to continue their education throughout their careers is to be prepared for
- A. adjustments in pay.
 - B. changes in lifestyle.
 - C. life after retirement.
 - D. jobs of the future.
84. Which of the following are two factors most creditors assess before deciding to issue credit to someone:
- A. Collateral and cosigners
 - B. Communication and character
 - C. Cosigners and communication
 - D. Character and collateral

85. Which of the following is a benefit for employees who pursue ongoing education:
- A. A greater chance for a raise
 - B. Greater employee retention
 - C. Decreased marketability
 - D. Highly skilled workforce
86. A high degree of self-understanding will help an individual to
- A. ensure success on the job.
 - B. control other people's behavior.
 - C. satisfy unmet needs.
 - D. select an appropriate career.
87. Which of the following is a financial want rather than a financial need:
- A. Food
 - B. Clothing
 - C. Education
 - D. Shelter
88. Collin's old car has very little value, and he is not concerned with replacement costs. What type of car insurance coverage should he purchase?
- A. Comprehensive
 - B. Collision
 - C. Gap insurance
 - D. Liability
89. Interest paid on a loan can be understood as compensation to _____ for _____.
- A. the lender; taking a risk
 - B. the lender; avoiding bad investments
 - C. the borrower; spending now rather than later
 - D. the borrower; repaying on time
90. Warranties and insurance policies are similar in that they both
- A. protect against unexpected expenses.
 - B. are provided mainly by the government.
 - C. act as unemployment compensation.
 - D. help people repay long-term loans.
91. Deena is researching investment options. How can she best evaluate the authority of a source of information?
- A. See when the source was published
 - B. Look into the author's credentials
 - C. Look for potential signs of bias
 - D. Check to see if facts and statistics are cited

92. Tara purchased a corporate bond for \$1,000. The bond's face value is \$5,000, it earns 7.75% interest annually, and it will reach maturity in five years. How much money will Tara receive if she cashes the bond in on its maturity date?
- A. \$6,000
 - B. \$6,465
 - C. \$5,000
 - D. \$5,387
93. Melina is market-savvy and has a solid understanding of securities. She builds her portfolio strategically to maximize returns. How would you classify Melina's risk tolerance?
- A. Moderate
 - B. Inflated
 - C. Aggressive
 - D. Conservative
94. Which of the following are examples of expenses that should be considered when developing a personal budget:
- A. Insurance, dividends, and utilities
 - B. Food, utilities, and salary
 - C. Rent, entertainment, and insurance
 - D. Entertainment, wages, and utilities
95. If Diedra wants to open a savings account to save money for her dream vacation, she should place her money in a deposit-taking institution, such as a(n)
- A. mortgage company or credit union.
 - B. savings and loan bank or investment bank.
 - C. commercial bank or credit union.
 - D. investment bank or mortgage company.
96. Which of the following sources is most likely to contain timely information:
- A. A stock table that appeared in a national newspaper on January 14, 2016
 - B. A technical-trends report that was written on February 5, 2024
 - C. A journal article about a medical breakthrough published a decade ago
 - D. A second-edition history textbook that contains a 2010 copyright date
97. When expressing her future financial goals to a friend, Dorothy explains that she wants to invest her current savings because the money she has now will be worth more than the exact same amount in the future. What concept is Dorothy explaining?
- A. The time value of money
 - B. The law of diminishing returns
 - C. The societal marketing belief
 - D. The fund acquisition philosophy

98. Delilah is developing her personal financial plan, which includes an investing plan. As a young professional, she is hoping to invest money now so that she has something to live off of in retirement. Delilah's investment goal is best characterized by which of the following strategies:
- A. Safety
 - B. Merit
 - C. Income
 - D. Growth
99. What kind of insurance provides income for individuals who cannot work because they are ill or have been injured?
- A. Liability
 - B. Health
 - C. Group
 - D. Disability
100. Eligibility for the federal program Medicaid is largely determined based on a person's
- A. health.
 - B. gender.
 - C. age.
 - D. income.

1. D

Compound interest. Accounts that earn interest on the lump sums deposited (\$100 per year in this example) as well as the interest earned in prior years are called compound interest accounts. Simple interest is calculated on lump sums only. Present value is the current value of one or more future cash payments, discounted at some appropriate interest rate. Inflation is a rise in the general level of prices of goods and services in an economy over a period of time. While inflation has caused the price of college to increase, it is not calculated into how Sophia's account earns interest.

SOURCE: Saving Grade 8

SOURCE: Basic-mathematics.com. (2021). *Simple vs. compound interest*. Retrieved August 27, 2024, from <http://www.basic-mathematics.com/simple-vs-compound-interest.html>

2. A

Are less likely to become discouraged. Attainable goals are realistic and within reach, so one advantage to setting attainable goals is that you are less likely to become discouraged. Attainable goals will *not* make you work harder to achieve a very high goal—very high goals do not fit the definition of attainable. Being able to picture a goal in your mind is the result of setting a specific goal, not necessarily an attainable one. Being able to measure your progress is the result of setting a measurable goal, also not necessarily an attainable one.

SOURCE: Saving Grade 8

SOURCE: Campbell, J. (2018, December 3). *How to set and keep personal financial goals*. Retrieved August 27, 2024, from <http://www.moneymanagement.org/Budgeting-Tools/Credit-Articles/Money-and-Budgeting/How-To-Set-and-Keep-Personal-Financial-Goals.aspx>

3. C

Irregular paychecks. Entrepreneurs experience many types of challenges as they start and grow their businesses. A financial concern often involves irregular paychecks or unpredictable income. It often takes a while for a new venture to gain business and earn a profit, so the entrepreneur often doesn't receive income or get paid at regular intervals. Long working hours and shorter vacations are factors related to the entrepreneur's personal commitment to their business. Production standards are specifications related to the process of making or producing goods and services.

SOURCE: Earning Income Grade 8

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

4. B

Installment loan. Loans that must be paid back in regular installments over a certain amount of time at a specified rate of interest are installment loans. They are frequently used to purchase costly items, such as automobiles, furniture, and appliances. Single payment loans are loans that must be paid off in a lump sum at a designated time in the future, possibly 3 months. Revolving credit loans are loans that are repaid on a regular basis in at least the minimum required amount. Cash payments are made for the full amount at the time of purchase.

SOURCE: Managing Credit Grade 8

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

5. B

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

SOURCE: Investing Grade 8

SOURCE: McWhinney, J. (2021, August 25). *The many ways to achieve investment portfolio diversification*.

Retrieved August 26, 2024, from <https://www.investopedia.com/articles/basics/05/diversification.asp>

6. A

Homeowner's insurance protects the homeowner from associated risks such as damage or injuries to others. To be reimbursed for losses, insurance must be purchased before a loss or a disaster. In addition, some disasters like floods and earthquakes are not covered by traditional homeowner's policies. Homeowner's insurance is not purchased from individual homeowners; it is sold to them by a risk-sharing firm. Homeowner's insurance does not protect a homeowner from losses resulting from bankruptcy or a disability; disability insurance can be purchased to help cover expenses due to a personal disability.

SOURCE: Managing Risk Grade 8

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 261-268]. Boston, MA: Cengage Learning, Inc.

7. C

Lower than an individual policy. Health insurance purchased through an employer usually costs less than individual policies because it can be purchased at group rates. Some employers pay a portion of health insurance costs, but many offer the opportunity and let the employee pay the entire cost. The government does not typically cover the employee's cost for a health insurance policy.

SOURCE: Managing Risk Grade 8

SOURCE: Claxton, G., Rae, M., and Winger, A. (2024, May 28). *Employee-sponsored health insurance 101*.

Retrieved August 27, 2024, from <https://www.kff.org/health-policy-101-employer-sponsored-health-insurance/>

8. C

Total income. Total income is multiplied by the tax rate to determine the amount of tax owed. Taxes withheld may or may not represent the total tax owed, and multiplying them would not accurately determine the amount of tax owed. Taxable interest and unemployment compensation are considered part of total income, but multiplying them alone would not accurately determine the amount of tax owed.

SOURCE: Earning Income Grade 8

SOURCE: Kagan, J. (2024, March 29). *Taxable income: What it is, what counts, and how to*

calculate. Retrieved August 22, 2024, from <https://www.investopedia.com/terms/t/taxableincome.asp>

9. D

How financial responsibility is different for people with dependents. Financial responsibility is different at every life stage. For people with children, their financial responsibilities include paying for food, clothing, and schooling for their dependents. For people without dependents, their financial responsibilities may only include their own needs. While it is important to start early when saving for college, it is usually not necessary to start saving for a child's education before they are even born. While it may be more challenging to save enough money for college as a single parent, it is definitely not impossible. Although financial responsibility is different for individuals nearing retirement, the scenario does not mention anything about Jenny being near retirement age.

SOURCE: Spending Grade 8

SOURCE: Yih, J. (2020, January 13). *Financial stages of life*. Retrieved August 27, 2024, from <https://retirehappy.ca/financial-stages-of-life/>

10. D

Ask. The ask price, also known as the sell price, is the lowest price at which a seller will sell a stock or share. The bid price, also known as the buy price, is the price that others are willing to pay for an investment at a particular time. The demand price is similar to the bid or buy price; it is the maximum price that buyers are willing and able to pay for a product.

SOURCE: Investing Grade 8

SOURCE: Hayes, A. (2022, January 17). *How to understand a stock quote*. Retrieved August 26, 2024, from <https://www.investopedia.com/articles/investing/093014/stock-quotes-explained.asp>

11. D

Net change. The net change, which is commonly identified on stock tables, indicates the difference between the stock's closing price and the previous day's closing price. The ticker symbol is a system of letters that uniquely identifies a company. It is often based on the company name. The price-earnings ratio is determined by dividing the share price of the stock by the earnings per share. The price-earnings ratio is a common heading on stock tables. The 52-week high and low are the highest and lowest prices paid for the stock during the past year.

SOURCE: Investing Grade 8

SOURCE: Scott, G. (2022, April 25). *Net change: What it is, how it works, charts*. Retrieved August 27, 2024, from <http://www.investopedia.com/terms/n/netchange.asp>

12. C

Shoveling snow off the sidewalk on your property. As a homeowner, you have the responsibility of ensuring the safety of others when they are on your property. In addition, you need to make sure that the immediate surroundings of your property are safe for other people. An example of this is shoveling snow off the sidewalk on your property. If someone slips, falls, and is injured as a result of unattended snow or ice on your sidewalk, they have the legal right to sue you. Watering flowers and bushes in your backyard, power washing dirt stains off your driveway, and painting your house a different color are other general responsibilities of homeowners, but they are not necessarily done to ensure the safety of other people.

SOURCE: Managing Risk Grade 8

SOURCE: Sutter, B.O. (n.d.). *Safety at home: Your responsibilities as a resident*. Retrieved August 27, 2024, from <https://www.allinjurieslawfirm.com/blog/safety-at-home-your-responsibilities-as-a-resident>

13. B

Money market account. A money market account typically earns more interest than a savings account and can be withdrawn at any time without penalty. Mutual funds and stocks are typically not good investment tools for the short term because they can sometimes lose a great deal of value in a short time.

SOURCE: Saving Grade 8

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

14. D

Credit. A tax credit is a specified amount of money that can be subtracted from a taxpayer's amount owed in taxes. There are a variety of different tax credits, such as the Child and Dependent Care Credit, which offers individuals or couples a tax credit to compensate for their care of young children. Patrice is receiving a tax credit because she is responsible for several children, or dependents. A tax deduction is a reduction in the amount of an individual's taxable income, where a tax credit simply reduces the total amount due. A tax liability is the money owed to the government through taxes. It is not the reduction of the amount owed—it is the amount owed itself. A tax bracket is a range of incomes that fall under a certain tax rate. This helps determine an individual's tax liability but does not provide discounts or subtractions from their amount owed.

SOURCE: Earning Income Grade 8

SOURCE: IRS. (2024, August 14). *Credits and deductions for individuals*. Retrieved August 26, 2024, from <https://www.irs.gov/credits-and-deductions-for-individuals>

15. B

Health. Health insurance pays for different kinds of medical care, depending upon the type of policy. A basic policy might cover minimum medical expenses, while a policy that has major medical coverage might cover the entire bill. Disability insurance provides income for ill or injured workers while they are off the job. Homeowner's insurance protects the homeowner's personal property and home. Liability insurance protects against lawsuits that result from injuries to others.

SOURCE: Managing Risk Grade 8

SOURCE: Medical News Today. (2024). *What is health insurance?* Retrieved August 27, 2024, from <http://www.medicalnewstoday.com/info/health-insurance>

16. B

If it is a good time to buy or sell. The 52-week high and low represent the lowest and highest price at which a stock has been traded during a year's time. It can tell investors whether the current price is a good one at which to sell or buy based on its history. The 52-week high and low do not tell investors how many times a stock has been sold, whether to invest in a stock or a mutual fund, or if the company has a lot of debt.

SOURCE: Investing Grade 8

SOURCE: Chen, J. (2021, September 11). *52-week high/low: Definition, role in trading, and example*. Retrieved August 26, 2024, from <https://www.investopedia.com/terms/1/52weekhighlow.asp>

17. B

\$3,978.66. To determine Dwayne's total monthly income, first divide his annual salary as a purchasing agent by the number of months in a year ($\$41,500 / 12 = \$3,458.33$). Then, divide his annual stock dividend payments by 12 as well ($\$1,684 / 12 = \140.33). Finally, add together his monthly salary, his monthly stock dividend payment, and his rental income to find his total monthly income ($\$3,458.33 + \$140.33 + \$380 = \$3,978.66$).

SOURCE: Earning Income Grade 8

SOURCE: Burns, S. (2020, January 6). *5 ways to create multiple streams of income*. Retrieved August 27, 2024, from <https://www.forbes.com/sites/stephanieburns/2020/06/06/5-ways-to-create-multiple-streams-of-income/>

18. A

Mutual funds. Mutual funds are pools of money from individual investors that are directed by a fund manager. One of the benefits of investing in a mutual fund is that they are managed by a professional who has the time and expertise to focus on selecting the right investments. Mutual funds are appropriate for Leena because she does not have the time or knowledge to choose her own investments. Saving is different than investing. Insurance would not help Leena in this situation. Growth stocks are risky and require more attention than Leena can give to be successful.

SOURCE: Investing Grade 8

SOURCE: Kennon, J. (2022, January 31). *The basics of mutual funds*. Retrieved August 27, 2024, from <https://www.thebalance.com/mutual-funds-101-356319>

19. A

Deductible. Qualified employees have the option of purchasing health insurance through their employers. This often involves a monthly fee, which is taken out of the employee's pay. Additionally, most employees are expected to pay a deductible. This means that an individual will need to pay a set amount (e.g., \$1,500) for medical services before the insurance company will begin paying for doctor's appointments, prescriptions, surgery, etc. A copay is a set amount of money that the insured must pay (e.g., \$25) for each doctor's office visit or prescription purchased. A premium is the fee paid to an insurance company for insurance coverage for a particular period of time. Insurance reserves refer to the amount of liquid assets that an insurer must have available to handle or cover insurance claims.

SOURCE: Managing Risk Grade 8

SOURCE: Blue Cross Blue Shield and Blue Care Network of Michigan. (1996-2024). *How do deductibles, coinsurance, and copays work?* Retrieved August 27, 2024, from <http://www.bcbsm.com/index/health-insurance-help/fags/topics/how-health-insurance-works/deductibles-coinsurance-copays.html>

20. D

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

SOURCE: Managing Risk Grade 8

SOURCE: Kagan, J. (2024, February 28). *Insurance: Definition, how it works, and main types of policies*. Retrieved August 26, 2024, from <https://www.investopedia.com/terms/i/insurance.asp>

21. A

Secured. In a secured, or collateral, loan, the borrower pledges to the lender some valuable possession as collateral, or security, to guarantee that the loan will be repaid. If the borrower does not repay the loan, the item that was used as collateral will then belong to the lender. Among the items that are often used as collateral are real estate, stocks and bonds, personal property such as machinery or cars, and the cash value of life insurance. An unsecured loan, also known as a signature loan, is an amount of money borrowed by an individual or a business simply by signing a promissory note, a written promise to repay the loan. In this type of loan, the borrower is not required to put up collateral. Installment credit accounts are designed to handle one total amount of credit, which is paid in installments within a certain time period. The credit user makes a down payment and signs an agreement to pay monthly installments until the total is paid.

SOURCE: Managing Credit Grade 8

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

22. A

\$807.53. Richard's gross pay consists of his total income for the week before income taxes and other deductions are subtracted from his pay. To determine Richard's total gross pay for last week, first multiply his standard 40 hours worked by his regular hourly rate ($40 \times \$14.55 = \582.00). Then, determine his hourly rate for overtime hours by multiplying his regular hourly rate by 1.5 ($\$14.55 \times 1.5 = \21.825). Next, multiply the number of overtime hours by the hourly rate for overtime ($5 \times \$21.825 = \109.125). To calculate his hourly rate for holiday hours, multiply the regular hourly rate by two ($\$14.55 \times 2 = \29.10). Multiply his hourly rate for holiday hours by the number of hours worked on New Year's Day, which is a holiday ($\$29.10 \times 4 = \116.40). Finally, to determine his total gross pay, add his earnings for regular hours, overtime hours, and holiday hours together and round to the nearest cent ($\$582.00 + \$109.125 + \$116.40 = \$807.525 = \$807.53$).

SOURCE: Earning Income Grade 8

SOURCE: Doyle, A. (2022, September 20). *How to read a pay stub*. Retrieved August 22, 2024, from <https://www.thebalancemoney.com/what-is-included-on-a-pay-stub-2062766>

23. C

Comprehensive. Comprehensive coverage protects an owner against damages caused by anything other than collision (e.g., fire, theft, water, falling objects, and vandalism). Liability coverage pays for any damages or injuries to others caused by a car owner. Collision coverage protects against damage to the insured's vehicle if they hit another car or lose control of their own car. Uninsured/Underinsured Motorist coverage provides protection against damages caused by a motorist who is at fault in an accident and does not have insurance or the ability to pay for your damages.

SOURCE: Managing Risk Grade 8

SOURCE: State Farm. (2024). *What is comprehensive coverage?* Retrieved August 27, 2024, from <https://www.statefarm.com/insurance/auto/coverage-options/comprehensive-coverage>

24. B

Credit card. Paying with a credit card is the same as borrowing money from a bank to make a purchase. Typically, when a person borrows money from a bank, the bank charges an interest rate and the borrower is required to pay the amount they borrowed in addition to any interest charges that are added to the amount borrowed. This is how paying with a credit card can end up costing more than the amount of the purchase. Debit cards, cash, and personal checks are ways to pay for a purchase with money that the buyer already has, which means that person is not borrowing money and will not be charged interest.

SOURCE: Spending Grade 8

SOURCE: Gitman, L.J., Billingsley, R., & Joehnk, M.D. (2017). *Personal financial planning* (14th ed.) [Lesson 6-2a]. Boston, MA: Cengage Learning, Inc.

25. A

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

SOURCE: Investing Grade 8

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

26. B

Serve an internship. An internship is training in which schools and businesses cooperate to provide on-the-job practice for learners. Most internships are unpaid, but the participants obtain valuable work experience that will help them obtain full-time paying positions. Many businesses prefer to hire applicants who have experience, and serving an internship is one way that individuals can obtain experience. Researching the industry is a way of obtaining information rather than work experience. Individuals complete apprenticeships after they are hired. Attending summer school is a way of obtaining additional training.

SOURCE: Earning Income Grade 8

SOURCE: Missman, K. (2023, August 24). *What is an internship? Everything you should know*. Retrieved August 26, 2024, from <https://www.forbes.com/advisor/education/career-resources/what-is-an-internship/>

27. D

Employees in the desired field. Employees in the desired field are an excellent source of career information for students. Talking to people with firsthand knowledge of the position or occupation that you are interested in is a great way to learn more about daily life in the field. Tax preparation centers, town visitor information booths, and retired relatives would not necessarily provide relevant career information for students.

SOURCE: Earning Income Grade 8

SOURCE: Butler, J. (2017, July 6). *The importance of job shadowing*. Retrieved August 26, 2024, from <https://www.educationquest.org/blog/importance-job-shadowing/>

28. C

Borrowers typically get lower interest rates. A secured loan is a type of loan in which the borrower pledges to the lender some valuable possession as collateral, or security, to guarantee that the loan will be repaid. Because secured loans are often used for purchases that need larger loan amounts (such as a mortgage or a car loan), borrowers typically receive lower interest rates. In addition, there is less risk involved for the lender in secured loans. An unsecured loan is an amount of money borrowed by an individual or a business simply by signing a promissory note that promises repayment of the loan. Unsecured loans typically reach maturity faster than secured loans and are only given to individuals or businesses with excellent credit ratings. Interest rates on unsecured loans are often higher than those on secured loans because of the higher risk of loss to the lender.

SOURCE: Managing Credit Grade 8

SOURCE: Brown, J. (2024, May 14). *Secured vs. unsecured personal loans: What you need to know*. Retrieved August 27, 2024, from <https://www.bankrate.com/loans/personal-loans/secured-vs-unsecured-personal-loans>

29. C

Make money; future. To protect your financial well-being, it is important to both save and invest your money. Investing involves using money to make money. Investing helps you reach your long-term goals, such as having enough money on which to live after retirement. There are many investment options available. For example, you may purchase bonds and earn interest, or you may purchase stock and earn dividends. Saving involves taking a portion of your current income and putting it away to use in the future. Saving is important for reaching personal short-term goals, such as taking vacations, or for unexpected situations, such as repairing your car. People do not invest money to spend it or to contribute interest. People do not save money for current, public, or historical use.

SOURCE: Saving Grade 8

SOURCE: Money Helper. (2024). *What's the difference between saving and investing my money?* Retrieved August 27, 2024, from <https://www.moneyadvice.service.org.uk/en/articles/should-i-save-or-invest>

30. C

Risk tolerance. Questions like "What are your investment goals?" and "What's your time horizon?" are useful in determining one's risk tolerance. Risk tolerance is a measure of how much risk an investor is willing to accept in exchange for potentially high returns. Evaluating risk tolerance is in regard to market volatility, not personal volatility. Activity quotas are designed to control the ways that salespeople use their time and efforts. Bond rating is the ranking of bond issuers according to their risk of default; it is the letter score assigned to a company based on the financial responsibility it has demonstrated.

SOURCE: Investing Grade 8

SOURCE: U.S. Bank. (2023, January 6). *5 questions to help you determine your investment risk tolerance.*

Retrieved August 26, 2024, from <https://www.usbank.com/financialiq/invest-your-money/investment-strategies/whats-your-investment-risk-tolerance.html>

31. A

Short-term time horizon. A short-term time horizon means you are investing for a goal you want to reach in less than five years; if you are investing for a three-year goal, you are on a short-term time horizon. An intermediate-term time horizon is 5-15 years, and a long-term time horizon is more than 15 years. Risk-tolerant time horizon is not a term that is used in investing.

SOURCE: Investing Grade 8

SOURCE: Smith, L. (2024, March 14). *Using time horizons to reach your investing goals.* Retrieved August 26, 2024, from <https://www.investopedia.com/articles/investing/110813/using-time-horizons-investing.asp>

32. A

Unattainable. It's a good idea to set goals that are SMART—specific, measurable, achievable, results-oriented and relevant, and timely. Rachel's goal of saving \$100,000 over five years may be attainable for someone with a higher income or fewer expenses, but it is not realistic for Rachel. Her goal is timely, relevant, and measurable, however—but since it is not realistic, it's unlikely that Rachel will be able to achieve it.

SOURCE: Saving Grade 8

SOURCE: Johnston, J. (2024, August 19). *How to set and achieve financial goals.* Retrieved August 22, 2024, from <https://www.incharge.org/financial-literacy/budgeting-saving/how-to-set-financial-goals/>

33. A

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

SOURCE: Managing Credit Grade 8

SOURCE: CapitalOne. (2024, March 5). *How to use a credit card responsibly: 10 tips.* Retrieved August 22, 2024, from <https://www.capitalone.com/learn-grow/money-management/tips-using-credit-responsibly/>

34. B

Passion for. Successful entrepreneurs are all passionate and enthusiastic about what they are doing. They enjoy their work, and they often start their businesses so that they can share their natural talents, interests, or hobbies with others. Successful entrepreneurs do not have concerns or reservations about what they are doing; if they did, they wouldn't have started their businesses in the first place. Entrepreneurs certainly are not apathetic or indifferent about what they are doing; they are dedicated to it.

SOURCE: Earning Income Grade 8

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

35. B

Personal satisfaction. Hobbies or interests are activities that people enjoy. People obtain personal rewards by engaging in them. Woodworking is one activity that many people consider a hobby. Most people would not start businesses because higher tax rates might result in less income. Entrepreneurs are not guaranteed financial security when they begin new businesses. Sales quotas are specific selling goals for members of a sales force in a company.

SOURCE: Earning Income Grade 8

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

36. D

Your major strengths, aptitudes, and interests. This information will be the most important because it will help you to determine whether you will be happy and successful in a certain career area. Salary is important to some, but most people try to find occupations that will provide personal satisfaction. People often expect that career opportunities will change according to the needs of the market and that they may need to adapt in the future. Technology is an important part of many occupations, but not all. In addition, technology is constantly changing, which means that your computer skills will likely change over time.

SOURCE: Earning Income Grade 8

SOURCE: Career Key. (1987-2024). *How to choose a career path*. Retrieved August 26, 2024, from <https://www.careerkey.org/choose-a-career/how-to-choose-a-career.html#.WC9YYvkrKUK>

37. B

Knowledge. Knowledge is essential for making wise investment decisions. You don't need an expert to tell you which stocks to pick—because *you* are the one with your best interests at heart. Age and wealth are not required for wise investing. To be a wise investor, you can be young or old, and wealthy or not. Intelligence is helpful if you use it to gain and use knowledge.

SOURCE: Investing Grade 8

SOURCE: U.S. Securities and Exchange Commission. (n.d.). *Financial navigating in the current economy: Ten things to consider before you make investing decisions*. Retrieved August 27, 2024, from <https://www.sec.gov/investor/pubs/tenthingstoconsider.htm>

38. B

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

SOURCE: Managing Credit Grade 8

SOURCE: Upstart. (2021, December 21). *The cost of credit: How much are you paying to borrow?* Retrieved August 26, 2024, from <https://www.upstart.com/learn/cost-of-credit/#>

39. B

The bank offering the savings account. Banks are legally required by the FDIC to provide APY rates to consumers. Information from an online review or from a friend might be inaccurate. The FDIC provides financial overviews of banking institutions and refers consumers to bank-sponsored websites and locations for information on banking rates.

SOURCE: Saving Grade 8

SOURCE: Wells, L. (2024, July 29). *Here's everything savers need to know about APY.* Retrieved August 27, 2024, from <https://www.bankrate.com/glossary/a/apy-annual-percentage-yield/>

40. D

Elissa starts a company when she develops a new app. Elissa is an entrepreneur because she identifies an opportunity to create new value, develops and offers a unique product, assumes the risks of starting and building a business, focuses on the improvement and growth of that business, and receives personal and financial rewards for her efforts. Working for someone else's accounting firm, investing money, and asking for a raise are not examples of entrepreneurship.

SOURCE: Earning Income Grade 8

SOURCE: Hayes, A. (2024, July 29). *Entrepreneur: What it means to be one and how to get started.* Retrieved August 22, 2024, from <https://www.investopedia.com/terms/e/entrepreneur.asp>

41. A

When you pay in full, you can avoid accumulating interest. Interest is a fee that lenders charge borrowers for the use of credit and is usually figured as a percentage of the amount. When you don't pay your credit card balance in full each month, you accumulate interest on the balance that will increase the amount you have to pay. It is wise to pay off your credit card bills in full each month to avoid this interest. Annual fees and finance charges vary based on the credit card you have, not based on whether you pay in full each month or not. If you pay your bills in full each month, your credit score will likely go up over time—not down.

SOURCE: Managing Credit Grade 8

SOURCE: CapitalOne. (2024, March 5). *How to use a credit card responsibly: 10 tips.* Retrieved August 22, 2024, from <https://www.capitalone.com/learn-grow/money-management/tips-using-credit-responsibly/>

42. B

A delivery van. People often use credit to pay for expensive items in small amounts over time. For most of us, it would be difficult to pay cash for large, expensive items such as cars, homes, delivery vans, and heavy equipment. Office supplies, stamps, and a curtain rod are likely less expensive than a delivery van and therefore less likely to need credit.

SOURCE: Spending Grade 8

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

43. C

Manage money. A budget is an estimate of what income and expenses will be for a specific time period. By developing a budget, individuals can manage their money. The budget will enable them to estimate income, perhaps for the next month, and also estimate the various expenses such as car payment, clothing, entertainment, etc. Then, they will be able to compare income with expenses and plan how to spend their money. Preparing a budget will make it possible to determine if they are barely able to pay bills each month or if there are funds remaining to put in a savings account. If funds are tight, they can analyze the various expenses and find ways to cut back in order to more effectively manage their money. Developing a budget allows individuals to identify the bills that must be paid; however, a budget does not pay bills. A budget does not include a list of assets. Budgeting often helps individuals decrease debt by managing money more effectively.

SOURCE: Spending Grade 8

SOURCE: Caldwell, M. (2024, July 6). *Reasons why you should budget your money*. Retrieved August 22, 2024, from <https://www.thebalancemoney.com/reasons-to-budget-money-2385699>

44. B

Changes in your life can affect your spending. While it is important to adhere to your budget, sometimes changes in life occur that affect your spending such as buying a new car, having a child, or moving to a new city. It is important to regularly track and analyze your budget to see how these lifestyle changes are affecting your spending—and to adjust your budget accordingly. Fixed expenses are not constantly changing; rather, they usually do not change from month to month. Your income might remain steady, but that is not related to the need to regularly track and analyze your budget. It is important to set financial goals, but this is not related to the need to regularly track and analyze your budget.

SOURCE: Spending Grade 8

SOURCE: Neenan, R. (2023, April 19). *14 major life changes—and their financial planning implications*. Retrieved August 27, 2024, from <https://www.financialplanningfortcollins.com/blog/major-life-changes-financial-planning-implications/>

45. C

Risk-averse. A person with a negative attitude toward risk is called risk-averse. Being risk-averse does not necessarily make a person paranoid (suspicious, distrustful). A person with a positive attitude toward risk is called risk-tolerant. A risk-tolerant person is more likely to be dauntless (fearless).

SOURCE: Investing Grade 8

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

46. A

Contact the place of purchase. Most merchants are eager to work with customers to resolve disputes about sales. This is also the remedy that consumes the least amount of time. If the dispute is not resolved, his next step should be to contact the home improvement store's company headquarters (not the refrigerator company's headquarters) and speak to someone there. If the dispute is still not resolved, then he should seek a third party to arbitrate the situation. If all of these steps fail, he should take legal action against the home improvement store.

SOURCE: Managing Risk Grade 8

SOURCE: Jespersen, C. (2019, October 17). *Package arrived damaged? Here's what to do (in this order)*. Retrieved August 22, 2024, from <https://www.marketwatch.com/story/package-arrived-damaged-heres-what-to-do-in-this-order-2019-10-17>

47. B

Determine if this goal is short-term, medium-term, or long-term. Determining whether a financial goal is short-term, medium-term, or long-term should be one of the first steps in goal setting. This information will inform other steps you need to take: estimating the cost, setting a deadline, and creating a budget. Hiring a financial advisor as the first step is premature. Saving as much money as possible before calculating a total is trying to reach a goal without a plan. Deadlines should be realistic—if too aggressive, you might get discouraged and never reach your goal.

SOURCE: Saving Grade 8

SOURCE: Huffstetler, E. (2019, January 21). *This financial goals worksheet will keep you on track*. Retrieved August 27, 2024, from <https://www.liveabout.com/how-to-set-financial-goals-1388522>

48. A

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

SOURCE: Managing Risk Grade 8

SOURCE: USA.gov. (2024, May 3). *Identity theft*. Retrieved August 22, 2024, from <https://www.usa.gov/identity-theft>

49. C

Payroll taxes. Employers are required to deduct taxes from employees' wages. Therefore, although Noah is paid \$1,200 every pay period, he actually receives less than that due to the taxes his employer takes out of his paycheck. Noah did not have money deducted from his pay due to misbehavior, interest payments, or company expenses.

SOURCE: Earning Income Grade 8

SOURCE: Averkamp, H. (2024). *What are payroll withholding taxes?* Retrieved August 26, 2024, from <https://www.accountingcoach.com/blog/what-are-payroll-withholding-taxes>

50. C

Increases; increase. Interest is the reward or cost of lending or borrowing money, and this amount is usually figured as a percentage of the amount of money borrowed. The interest rate is the percentage figure used to calculate interest. Many factors affect interest rates, including government policies and the business cycle. The nation's rate of inflation, which is how quickly prices are rising in the marketplace, can affect interest rates. When the inflation rate increases rapidly, the interest rates also increase. This occurs because there is less money available for financial institutions to loan to individuals and businesses. When the inflation rate levels off, prices tend to stabilize, and in some situations, prices may decrease.

SOURCE: Managing Credit Grade 8

SOURCE: Heakal, R. (2024, August 12). *Forces that cause changes in interest rates*. Retrieved August 22, 2024, from <https://www.investopedia.com/insights/forces-behind-interest-rates/>

51. A

Net pay. Net pay represents the amount the check is written for after taxes and deductions have been subtracted. Gross pay represents the total amount earned before taxes and deductions have been subtracted. Overtime pay and regular pay represent earnings at different rates before taxes and deductions.

SOURCE: Earning Income Grade 8

SOURCE: ADP. (n.d.). *Gross pay vs. net pay: What's the difference?* Retrieved August 22, 2024, from <https://www.adp.com/resources/articles-and-insights/articles/g/gross-pay-vs-net-pay.aspx>

52. B

All monetary income provided by the employer. Gross pay reflects the full amount of money earned by an employee before any deductions are made. The income left over after all deductions have been made is considered net pay. Overtime pay is included along with regular wages to calculate gross pay. Pre-tax retirement plan contributions made by the employee are subtracted from gross pay, reducing net pay as well as taxable income, which in turn reduces the employee's tax burden.

SOURCE: Earning Income Grade 8

SOURCE: ADP. (n.d.). *Gross pay vs. net pay: What's the difference?* Retrieved August 22, 2024, from <https://www.adp.com/resources/articles-and-insights/articles/g/gross-pay-vs-net-pay.aspx>

53. B

Unexpected medical bill. An emergency fund should only be used when it's absolutely necessary. Situations like emergency medical expenses, emergency home repairs, car repairs after an accident, and/or living expenses after job loss are examples of when it would make sense to access these funds. An emergency fund should not be used for periodic, anticipated expenses, like paying property taxes, or for large financial goals, like making a down payment on a car or contributing to business startup costs.

SOURCE: Saving Grade 8

SOURCE: Irby, L. (2022, January 17). *When to use your emergency fund*. Retrieved August 26, 2024, from <https://www.thebalancemoney.com/when-should-you-use-your-emergency-fund-453900>

54. D

Overdrawing your account. If you spend more using your debit card than you have in your account, you will overdraw your account, which can lead to fees. It is not possible to overdraw a credit card account. Credit and debit cards are both vulnerable to compromised account information. Credit cards carry the risk of interest and fees. Going into debt is a risk associated with credit cards rather than with debit cards.

SOURCE: Spending Grade 8

SOURCE: Muller, C. (2023, June 13). *Cash vs. credit vs. debit—which should you use?* Retrieved August 27, 2024, from <https://www.moneyunder30.com/debit-card-dangers>

55. C

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

SOURCE: Managing Credit Grade 8

SOURCE: Irby, L. (2021, November 30). *Adjusted balance method to calculate credit card finance charges*. Retrieved August 26, 2024, from <https://www.thebalance.com/adjusted-balance-method-of-calculating-finance-charges-960235>

56. A

Leadership ability. Leadership is the ability to guide or direct the actions of others in a desired manner. Employees who exhibit leadership ability are often considered for promotion when businesses have openings in supervisory positions. Many businesses prefer to promote from within the organization and often consider those employees who have leadership ability. Businesses are prohibited by law from considering employees' family status, ethnic background, or personal life when determining who to promote.

SOURCE: Earning Income Grade 8

SOURCE: Indeed. (2024, February 12). *How to promote employees (with tips)*. Retrieved August 27, 2024, from <https://www.indeed.com/career-advice/career-development/promote-employees>

57. A

Save \$150 every month to help buy a house in five years. Saving \$150 each month to put toward a down payment on a house in 5 years is an example of a realistic long-term goal. Realistic goals are achievable with the amount of income an individual has and/or earns. Long-term financial goals are goals that take 5 or more years to accomplish. Saving money for a \$1,000 down payment on a used car is a short-term goal since it can be achieved in less than a year. Earmarking money for utility expenses is an example of budgeting. Since Shiori only earns \$2,500 each month, saving \$3,000 every month for a retirement fund is unrealistic.

SOURCE: Saving Grade 8

SOURCE: United Way. (2024). *Setting realistic long-term goals*. Retrieved August 27, 2024, from <https://www.unitedway.org/my-smart-money/financial-planning/living-on-your-own/narrative-setting-realistic-long-term-goals#>

58. C

Paying cash for a pair of shoes. When money is paid for a product, it is being used as a medium of exchange. When people collect gold coins or save cash in a bank, they are using the money as a store of value because they are keeping it for its monetary value. Pricing a product is an example of using money as a unit of account because the price indicates the value of the product.

SOURCE: Spending Grade 8

SOURCE: Investopedia. (2023, December 15). *Macroeconomics definition, history, and schools of thought*. Retrieved August 22, 2024, from <https://www.investopedia.com/terms/m/macroeconomics.asp?ad=dirN&qsrc=0&qo=investopediaSiteSearch&o=40186>

59. C

Contact the appropriate credit bureau. Isaiah should first contact the credit bureau that gathered the information for the report to determine if the bureau made a keying error. If the credit bureau did not make a mistake, then Isaiah should contact the bank to get the information corrected. After the bank makes the correction, the credit bureau can correct his credit report. Contacting a local business association or a federal banking agency (e.g., U.S. Federal Reserve or Bank of Canada) is not an appropriate action for Isaiah to take to get his credit report changed.

SOURCE: Managing Risk Grade 8

SOURCE: USA.gov. (2024, July 2). *Dispute errors on your credit report*. Retrieved August 22, 2024, from <https://www.usa.gov/credit-report-errors>

60. B

Flexibility and independence. Many individuals become entrepreneurs to enjoy greater flexibility and independence. Flexibility and independence allow an entrepreneur to manage their own work and time based on their needs and desires. While some entrepreneurs may look forward to other perks, such as purchasing and using advanced technology or enjoying tax breaks and deductions, neither of these is Michelle's motivation in becoming her own boss. As an entrepreneur, an individual must make a personal commitment to their business, which means putting in long hours and even weekends. Entrepreneurs seldom start their businesses simply to fulfill this personal commitment.

SOURCE: Earning Income Grade 8

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

61. C

Someone who is not personally disciplined to save for retirement. If a person lacks the discipline to save for retirement, working for a company that makes retirement contributions on their behalf is ideal. An employee working for Company B would receive a salary of \$45,000 plus 10% of their salary, which equals \$4,500 per year. The total financial gains received from Company B starting in year two would equal \$49,500, which is only \$500 less in overall compensation than Company A offers. People who are skilled at investing or disciplined to save for retirement may benefit more from the slightly larger salary offered by Company A. A person who will work less than one year will not gain the \$4,500 retirement contribution, so they would gain much more income from Company A.

SOURCE: Earning Income Grade 8

SOURCE: Fidelity. (2024, March 27). *How to evaluate a job offer*. Retrieved August 26, 2024, from <https://www.fidelity.com/viewpoints/personal-finance/evaluate-a-job-offer>

62. B

Increasing the value of your money over time. Compound interest can be thought of as “interest on interest” and will make a sum grow at a faster rate than simple interest, which is calculated only on the principal amount. Compound interest helps build wealth because it increases the value of your money over time, and it does so at a faster rate than simple interest. Compound interest does not provide you with immediate cash; it still takes time for compound interest to accrue once you deposit your initial funds. Compound interest does not decrease the principal amount on your loans or qualify you for federal grants.

SOURCE: Saving Grade 8

SOURCE: Fernando, J. (2024, February 28). *The power of compound interest: Calculations and examples*. Retrieved August 22, 2024, from <https://www.investopedia.com/terms/c/compoundinterest.asp>

63. C

\$1,170. Isaac's net income is his actual take-home pay, which is equal to his gross income (his total earnings before deductions) less his withholdings (his total deductions). To calculate his net income, subtract his total deductions from his total earnings before deductions ($\$1,425 - \$255 = \$1,170$).

SOURCE: Earning Income Grade 8

SOURCE: Kenton, W. (2024, June 25). *Net income (NI): Definition, uses, and formula*. Retrieved August 27, 2024, from <https://www.investopedia.com/terms/n/netincome.asp>

64. A

To avoid being denied credit. Individuals should periodically validate their credit histories to make sure that the information is correct. In some cases, inaccurate or false information may appear in a credit history, which will result in an individual being denied credit. To make sure this doesn't happen, individuals should review the information and contact the credit bureau to change or remove inaccurate information. Individuals do not validate their credit histories to understand credit laws, find out about different types of credit, or protect themselves from slander.

SOURCE: Managing Credit Grade 8

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 158-161]. Boston, MA: Cengage Learning, Inc.

65. A

Late. Credit card issuers often charge late fees for payments that do not arrive on time. In the example, the credit card issuer received Elise's payment several days after the due date. Some credit card issuers require credit card holders to pay an annual fee for the privilege of using the credit card. A cash advance fee is a charge for using the credit card to obtain cash. A balance transfer fee is a charge for moving a balance owed from one credit card to another credit card. Credit card holders often transfer their balances to cards that have lower interest rates.

SOURCE: Managing Credit Grade 8

SOURCE: Irby, L. (2022, March 24). *Late fees on credit cards*. Retrieved August 27, 2024, from <https://www.thebalance.com/what-is-a-late-fee-960701>

66. C

Update his technical skills. Because technology is constantly changing, workers must keep up with the changes to enhance their employability. Taking short- or long-term computer classes helps workers to learn skills they need to perform their work. There is not enough information to determine if Andrew is changing his career path or obtaining a licensure.

SOURCE: Earning Income Grade 8

SOURCE: University of Cincinnati. (2024). *5 benefits of continuing education for career advancement*. Retrieved August 27, 2024, from <https://online.uc.edu/blog/5-benefits-of-continuing-education-for-career-advancement/>

67. A

Seniority. Seniority is the amount of time an employee has worked at a company. At some companies, particularly those that are part of a union, seniority is used to award raises and promotions. Performance is not the same as seniority, although some companies consider seniority and job performance together when making decisions about promotions and raises. Seniority is not known as mentoring or turnover.

SOURCE: Earning Income Grade 8

SOURCE: Heathfield, S. (2019, November 27). *What seniority means at work*. Retrieved August 27, 2024, from <http://humanresources.about.com/od/workplaces-organizations/g/what-is-seniority-in-the-workplace.htm>

68. D

Copayment. Health insurance covers such medical expenses as hospital bills, doctors' fees, and lab charges. Employers negotiate contracts with health insurance companies to obtain favorable or discounted group rates. Depending on the terms of the contract, the employers and employees pay a portion of the health insurance premium. A copayment is a predetermined out-of-pocket expense that the insured (employee) often pays at the time of service to cover a portion of the health care provider's fee. The balance of the health care provider's fee is applied to the employee's annual deductible or is covered by the insurance company after the deductible has been met. A surrender charge is a fee charged to a policyholder by a life insurance company when the insurance policy or annuity is surrendered or waived for its cash value.

SOURCE: Managing Risk Grade 8

SOURCE: Kagan, J. (2024, July 24). *What is a co-pay? Definition in health insurance and example*. Retrieved August 27, 2024, from <https://www.investopedia.com/terms/c/copay.asp#axzz1nDRJfKES>

69. D

Consumer protections. Credit cards offer protections such as zero liability and payment stops that you can use without losing your funds. Interest payments are a disadvantage of credit cards. Credit cards have a higher risk of debt than debit cards. Finally, convenience is a benefit of both credit cards and debit cards.

SOURCE: Managing Credit Grade 8

SOURCE: McGurran, B. (2024, August 8). *Are credit cards safer than debit cards?* Retrieved August 27, 2024, from <https://www.experian.com/blogs/ask-experian/are-credit-cards-safer-than-debit-cards/>

70. A

Present value and interest rate. The formula for calculating the future value of money is $\text{Future Value} = \text{Present Value} \times (1 + \text{Interest Rate})$. In order to determine the future value of money, you must know the present value and interest rate. Par value refers to the value of a bond. Exchange rate is the value at which one currency can be converted to another.

SOURCE: Saving Grade 8

SOURCE: Fernando, J. (2024, August 21). *Time value of money: What it is and how it works*. Retrieved August 27, 2024, from <https://www.investopedia.com/terms/t/timevalueofmoney.asp>

71. A

Making purchasing decisions based on emotions. Making purchasing decisions based on emotions is a behavior that can make consumers vulnerable to fraud. Those who make impulsive decisions or ones based on emotions or feelings may not do their due diligence of checking the legitimacy of a product, service, company, or salesperson. This could lead to the consumer missing signs of a scam and could lead to fraud. Talking to a trusted individual about the product or service; researching the product, service, or company; and showing a fair amount of skepticism when engaging a salesperson are all ways in which consumers can reduce their risk of being a victim of fraud.

SOURCE: Spending Grade 8

SOURCE: Sreenivasan, S., & Weinberger, L.E. (2019, August 26). *Are you susceptible to being a victim of consumer fraud?* Retrieved August 27, 2024, from <https://www.psychologytoday.com/us/blog/emotional-nourishment/201908/are-you-susceptible-being-victim-consumer-fraud>

72. B

Personal loans generally have higher interest rates than secured loans. Personal loans are a type of unsecured loan—an amount of money borrowed by an individual simply by signing a written promise to repay the loan. Because they are considered high-risk loans, personal loans tend to have high interest rates and are generally reserved for people with excellent credit ratings. Personal loans are very flexible, meaning they can be used for a variety of purposes. For applicants with good credit scores, personal loans are generally easy to apply for and to receive.

SOURCE: Managing Credit Grade 8

SOURCE: Lake, R. (2023, December 8). *Personal loan: Definition, types, and how to get one*. Retrieved August 26, 2024, from <https://www.investopedia.com/personal-loan-5076027>

73. D

Receive \$10,500 and earn 4% simple interest for four years. If an individual receives \$10,500, invests it, and earns 4% simple interest on it for four years, this investment will result in a balance of \$12,180 at the end of the investment period. To determine the ending balance, first calculate simple interest in a year's time by multiplying the principal initial balance by the interest rate ($\$10,500 \times 4\% = \420). Then, multiply the annual interest gained by the length of the investment, measured in years, to determine the total interest gained over the life of the investment ($\$420 \times 4 = \$1,680$). Finally, calculate the ending balance by adding the total interest gained to the initial balance ($\$1,680 + \$10,500 = \$12,180$). Repeat this process for each of the other investments to determine which would result in the largest balance at the end of the investment period ($\$11,000 \times 1\% = \110 $\times 4 = \$440 + \$11,000 = \$11,440$; $\$11,000 \times 3\% = \$330 \times 3 = \$990 + \$11,000 = \$11,990$).

SOURCE: Saving Grade 8

SOURCE: Croome, S. (2024, January 30). *Understanding the time value of money*. Retrieved August 26, 2024, from <https://www.investopedia.com/articles/03/082703.asp>

74. C

Cash payment. There are several forms of financial exchange and paying in cash is one of the most common forms. Financial exchange involves paying for a good or service. Individuals often pay in cash, especially for products that are inexpensive. Also, many individuals prefer to pay in cash because that prevents them from buying products they cannot afford. An investment is a financial product that an individual might pay for with cash. Insurance is a contractual agreement in which the insurer will pay for specified losses incurred by the insured in return for installment payments, also known as a premium.

SOURCE: Spending Grade 8

SOURCE: Christensen, T. (2022, May 19). *Different payment methods*. Retrieved August 22, 2024, from <https://www.moneyfit.org/different-payment-methods/>

75. A

VOL. VOL is short for Volume (sometimes called Sales). It records how many shares were traded that day. NET CHG stands for Net Change, or the difference between the closing price and the previous day's price. DIV is short for Dividend, which is a portion of a company's profits, paid to shareholders each year. YLD% stands for Yield Percentage, which is determined by dividing the dividend into the current stock price.

SOURCE: Investing Grade 8

SOURCE: LAP-QS-037—Table Talk (Reading Stock Tables)

76. B

She will be more satisfied because it will help her save money. Julie conducting online research to determine what type of laptop she wants to purchase will help her compare prices of different laptops and ultimately help her get the best bang for her buck. Since she is working within a specific budget, conducting prepurchase research will help her save money. Conducting research is important because it will allow Julie to see both positive and negative reviews for products, not just positive reviews. Researching a product before purchasing it will require more effort on Julie's part, but if she takes the research seriously, she will ultimately be satisfied with the purchase she makes. Information for products such as laptops is readily available, not limited, on several different types of websites.

SOURCE: Spending Grade 8

SOURCE: Hansen, P. (2019). *Researching products online before making large purchases*. Retrieved August 27, 2024, from <https://vocal.media/lifehack/researching-products-online-before-making-large-purchases>

77. D

Poor credit score. A poor credit score is the result of irresponsible credit use. You can hurt your credit score by opening too many credit accounts, failing to pay off your balance each month, and accumulating large debts. Ryan is likely to have a low credit score due to his financial irresponsibility. As a result, he is less likely to be approved for loans—and the credit accounts that he is approved for will have higher interest rates. Given the fact that Ryan is struggling to pay the minimum payments on his different accounts, he is likely to have a high debt-to-income ratio, meaning that a sizable portion of his income likely goes toward his debt each month.

SOURCE: Managing Credit Grade 8

SOURCE: Kagan, J. (2021, December 1). *Credit card debt: What it is, how it works*. Retrieved August 27, 2024, from <https://www.investopedia.com/terms/c/credit-card-debt.asp>

78. D

Taking courses required of those who do that kind of work. Whether you can complete the courses successfully will tell you whether you can succeed in a particular field. For example, doing well in basic and advanced accounting courses would indicate you have a good chance of being successful as an accountant. Talking to someone in the field, asking your counselor for information about job opportunities, and contacting businesses in the field are good ways of gathering information; but they are not predictors of success.

SOURCE: Earning Income Grade 8

SOURCE: Oxford Scholastica Academy. (2023, December 19). *The ultimate career planning guide for high school students*. Retrieved August 27, 2024, from <https://www.oxfordscholastica.com/blog/the-ultimate-career-planning-guide-for-high-school-students/>

79. B

Bankruptcy. Bankruptcy is the last-resort action for poor credit. Late payments, liens, and collection agency reports all appear on a credit report, but none have as negative of an impact as bankruptcy.

SOURCE: Managing Credit Grade 8

SOURCE: Luthi, B. (2024, March 12). *How to remove bankruptcy from your credit report*. Retrieved August 26, 2024, from <https://www.experian.com/blogs/ask-experian/removing-bankruptcy-from-your-credit-report/>

80. D

Savings or checking account. Debit cards are a common method of payment for goods and services. Issued by a financial institution (e.g., bank), the debit card is simply inserted into a machine by a cardholder or business employee when purchasing a product. Information is transmitted to the appropriate location, and the funds are electronically transferred from the cardholder's savings or checking account. An expense account is an arrangement between an employee and their employer in which the employee keeps track of business-related expenses and reports them to their employer for reimbursement. Interest is the money payments for the use of borrowed money. Credit is the arrangement by which businesses or individuals can purchase now and pay later.

SOURCE: Spending Grade 8

SOURCE: Federal Trade Commission. (n.d.). *Using debit cards*. Retrieved August 22, 2024, from <https://consumer.gov/managing-your-money/using-debit-cards>

81. A

\$787.86. To determine how much Cheryl's investment will be worth in four years, calculate the future value of her investment. The formula used to find the future value of money is $\text{Future Value} = \text{Present Value} \times (1 + \text{Interest Rate})^{\text{Number of Years}}$. So, the future value of Cheryl's investment is equal to $\$700 \times (1 + 0.03)^4$. To solve this equation, first add one to the interest rate ($1 + 0.03 = 1.03$). Next, raise this sum to the fourth power, which is the same as multiplying the sum by itself four times ($1.03^4 = 1.03 \times 1.03 \times 1.03 \times 1.03 = 1.1255$). Finally, multiply this product by the original amount of the investment ($\$700 \times 1.1255 = \787.86). So, Cheryl's investment will be worth \$787.86 in four years.

SOURCE: Investing Grade 8

SOURCE: Croome, S. (2024, January 30). *Understanding the time value of money*. Retrieved August 26, 2024, from <https://www.investopedia.com/articles/03/082703.asp>

82. C

Identity theft. Identity theft occurs when an individual obtains and uses another person's information (e.g., credit cards) without that person's consent. It is important for people to monitor their bank and credit card accounts on a regular basis, and financial institutions are implementing internal policies to help flag possible identity-theft activities. Banks and credit card companies send email and text messages under certain conditions to alert their customers of possible fraudulent activities. For example, financial institutions notify customers when their systems detect sizable ATM withdrawals or charges are made to credit cards over a certain amount of money. Although these actions detect fraud after it occurs, it allows customers time to freeze their accounts to prevent further activity. Loan fraud involves lying on loan applications to obtain loans. Money laundering is the process of creating the appearance that money obtained from criminal activities came from acceptable or legal sources. Firewall applications are designed to protect the organization's computer systems from external hacking activities.

SOURCE: Managing Risk Grade 8

SOURCE: USA.gov. (2024, May 3). *Identity theft*. Retrieved August 22, 2024, from <https://www.usa.gov/identity-theft>

83. D

Jobs of the future. Employees will experience many changes in technology throughout their careers. To be prepared for the jobs that new technology will create, employees need to continue their education. Technology will eliminate some jobs in the future and change the way some jobs are performed. Employees will need to keep up with the new developments by continuing their education and learning new skills. Those employees who do not continue their education might find themselves without jobs because they have not adapted to a new work environment. Employees do not continue their education to be prepared for life after retirement, changes in lifestyle, or adjustments in pay. However, continuing their education often helps employees improve their lifestyle by increasing their pay.

SOURCE: Earning Income Grade 8

SOURCE: Fudor, M. (2020, June 19). *School's not out: The importance of continuing education*. Retrieved August 27, 2024, from <https://www.themuse.com/advice/schools-not-out-the-importance-of-continuing-education>

84. D

Character and collateral. Creditors want to issue credit to people they believe can repay their debt. They look for traits of good credit risks, such as the integrity and reputation (character) of the individual as well as something of value that the person has to help secure the loan in case s/he fails to repay (collateral). While communication is helpful in the loan process, it is not a determining factor used by creditors. Cosigners can be an important part of the loan process, but creditors do not ask for these individuals unless other factors (such as the character and collateral of the initial loan request) are deemed insufficient.

SOURCE: Managing Credit Grade 8

SOURCE: Segal, T. (2023, December 15). *5 c's of credit*. Retrieved August 26, 2024, from <https://www.investopedia.com/terms/f/five-c-credit.asp>

85. A

A greater chance for a raise. Continuing education is a great way for workers to improve their current skills, develop new skills, and increase their overall marketability as an employee. Employees that pursue continuing education are marketable to employers because employers want workers who are always willing to improve—and engaging in extra training demonstrates that willingness. Because of this, employees that constantly improve their skills have a greater chance of receiving a promotion or a raise. A highly skilled workforce and greater employee retention are both benefits that companies enjoy when their employees pursue continued education—not benefits that the employees themselves enjoy.

SOURCE: Earning Income Grade 8

SOURCE: University of Cincinnati. (2024). *5 benefits of continuing education for career advancement*. Retrieved August 26, 2024, from <https://online.uc.edu/blog/5-benefits-of-continuing-education-for-career-advancement/>

86. D

Select an appropriate career. Self-understanding is comprehending one's personal abilities, interests, values, attitudes, and personality traits, and recognizing their effects on one's behavior. Since selecting a career involves determining how much satisfaction can be obtained in an occupation and comparing that information to individual needs, self-understanding is a major advantage in making this important decision. It is a trait that effectively controls one's own behavior, not the lives of others. Success is not ensured through self-understanding, but it may be assisted. Self-understanding helps to identify unmet needs which could lead to satisfying them.

SOURCE: Earning Income Grade 8

SOURCE: Aronov-Jacoby, S. (2022, January 27). *The benefits of self-awareness*. Retrieved August 27, 2024, from <https://www.hrh.ca/2022/01/27/the-benefits-of-self-awareness/>

87. C

Education. Education is a financial want rather than a financial need. Financial needs are the basics that are necessary for survival. Food, clothing, and shelter are necessary for survival, but education isn't.

SOURCE: Saving Grade 8

SOURCE: Neidel, C. (2022, April 26). *Needs vs. wants: How to budget for both*. Retrieved August 27, 2024, from <https://www.nerdwallet.com/blog/finance/financial-needs-versus-wants/>

88. D

Liability. Liability insurance pays for damage and injuries you cause others in accidents, and it is required by law in most states/provinces. When a car has little financial value, owners often choose to only carry liability insurance that will pay for damages and injuries caused to others. Since collision, gap, and comprehensive insurance are optional insurance products that pay for damages to your car, they are not necessary. Collision insurance pays for damages to your car if your car crashes into an object, hits another vehicle, or flips over. Gap insurance is an insurance product that covers the difference between the amount owed on a loan or lease and the amount an auto insurer is willing to pay for a heavily damaged car. Comprehensive insurance protects against damages from causes other than collision (e.g., fire, theft, water, falling objects, and vandalism).

SOURCE: Managing Risk Grade 8

SOURCE: Allstate. (2024, June). *Liability insurance: How to stay protected*. Retrieved August 26, 2024, from <https://www.allstate.com/resources/car-insurance/liability-car-insurance-cover>

89. A

The lender; taking a risk. Interest is the cost of borrowing money. Lenders receive interest as compensation for assuming the risk that the borrower will repay the amount due. With every loan, there is a chance that the borrower won't pay it back. Interest is not compensation for the borrower. Interest is also not related to avoiding bad investments.

SOURCE: Managing Credit Grade 8

SOURCE: Federal Reserve Bank of St. Louis. (2024). *Paying & receiving interest*. Retrieved August 27, 2024, from <https://www.econlowdown.org/interest?p=yes>

90. A

Protect against unexpected expenses. Warranties and insurance policies are meant to help individuals mitigate the risk of unexpected occurrences that could lead to increased expenses. Warranties typically cover individual products, while insurance policies can cover a wide variety of products, people, and organizations. While warranties and insurance do protect people, they do not provide any direct assistance in regards to loan repayment. The government does provide some warranties and insurance policies, but most options are offered by private companies. Warranties and insurance options are not meant to act as unemployment compensation, and they only provide actual monetary benefits in the event of an unexpected, harmful occurrence.

SOURCE: Managing Risk Grade 8

SOURCE: Consumer Finance. (2022). *What is insurance?* Retrieved August 26, 2024, from https://www.fhi360.org/wp-content/uploads/drupal/documents/cfpb_building_block_activities_what-is-insurance_handout.pdf

91. B

Look into the author's credentials. Authority means being a qualified expert on the subject. Sources of information should have authority to be considered reliable. To evaluate authority, Deena should look into the author's credentials to see whether or not the author is an expert source. Authors who have been published many times in other reputable sources generally can be considered authoritative. Seeing when the source was published is a way to evaluate timeliness rather than authority. Checking to see if facts and statistics are cited is a way to evaluate accuracy, not authority. Looking for signs of bias is a way to evaluate objectivity rather than authority.

SOURCE: Spending Grade 8

SOURCE: Purdue University. (2024). *Evaluating sources: Introduction*. Retrieved August 27, 2024, from https://owl.purdue.edu/owl/research_and_citation/conducting_research/evaluating_sources_of_information/index.html

92. C

\$5,000. A corporate bond is a piece of paper that says a corporation will borrow an investor's money at a particular interest rate for a particular period of time. Corporations issue bonds to fund their operating expenses and usually pay the bondholders interest payments twice a year. When the bondholder cashes the bond on its maturity date, it will be worth the face value. The face value of Tara's bond was \$5,000, so she will receive that amount on the date that the bond is repaid, which is the maturity date.

SOURCE: Investing Grade 8

SOURCE: Fidelity. (2022). *Bond & CD prices, rates, and yields*. Retrieved August 26, 2024, from <https://www.fidelity.com/learning-center/investment-products/fixed-income-bonds/bond-prices-rates-yields>

93. C

Aggressive. Melina understands the securities market and builds her portfolio strategically to maximize returns with maximum risk. Her risk tolerance is aggressive, meaning she is willing to risk more money than moderate or conservative investors. Inflated risk tolerance is a fictitious phrase.

SOURCE: Investing Grade 8

SOURCE: Twin, A. (2022, July 7). *What is risk tolerance, and why does it matter?* Retrieved August 27, 2024, from <https://www.investopedia.com/terms/r/risktolerance.asp>

94. C

Rent, entertainment, and insurance. Individuals develop personal budgets to help them manage their money. A budget is an estimation of income and expenses. Expenses are money that a person spends and may include rent, entertainment, insurance, food, and utilities. Salaries (wages) and dividends are sources of income.

SOURCE: Spending Grade 8

SOURCE: Billingsley, R., Gitman, L.J., & Joehnk, M.D. (2020). *PFIN* (7th ed.) [pp. 35-37]. Boston, MA: Cengage Learning, Inc.

95. C

Commercial bank or credit union. Savings and loan banks, commercial banks, and credit unions are deposit-taking institutions. A credit union is a nonprofit financial cooperative set up to provide savings and credit services to its members, who own the credit union. Commercial banks offer a variety of services for consumers including checking and savings accounts, credit cards, and automobile loans. A savings and loan bank is a financial institution that offers savings accounts and makes loans to borrowers, most of which are for real estate purchases. An investment bank is a financial intermediary that underwrites securities and facilitates mergers. A mortgage company specializes in real estate (property) loans.

SOURCE: Saving Grade 8

SOURCE: State of Connecticut. (2024). *ABC's of banking*. Retrieved August 27, 2024, from <https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking—Banks-Thrifts-and-Credit-Unions>

96. B

A technical-trends report that was written on February 5, 2024. An important factor to consider when evaluating information is its timeliness. If an article or report was published a long time ago, the information may not be relevant or accurate anymore, particularly if the topic involves technology. Because the technical-trends report was written recently, the information is likely to be up to date. Due to technology, the world is constantly experiencing medical breakthroughs and changes; therefore, a journal article that was published a decade (10 years) ago is less likely to contain up-to-date information. Stock values change rapidly, so a stock table that appeared in a newspaper on January 14, 2016, would not contain the most current information about stock values. Because the world's history has dramatically changed since 2010, the history textbook is outdated.

SOURCE: Spending Grade 8

SOURCE: Purdue University. (2024). *Evaluating sources: general guidelines*. Retrieved August 26, 2024, from https://owl.purdue.edu/owl/research_and_citation/conducting_research/evaluating_sources_of_information/general_guidelines.html

97. A

The time value of money. The time value of money is the concept that money you have now is always worth more than the exact same amount in the future. This is because money you have now is able to earn interest over time—say, in a savings account or other investment opportunity. The law of diminishing returns is an economic concept that states that if one input increases while others are constant, at some point the increases in output will decline. The societal marketing belief (typically referred to as the societal marketing concept) is a philosophy of conducting business which involves creating and marketing products that benefit individual customers as well as contribute to the good of society as a whole. The fund acquisition philosophy is a fictitious term.

SOURCE: Saving Grade 8

SOURCE: Fernando, J. (2024, August 21). *Time value of money: What it is and how it works*. Retrieved August 27, 2024, from <https://www.investopedia.com/terms/t/timevalueofmoney.asp>

98. C

Income. There are three general strategies for investment: income, growth, and safety. Income investment involves investing money now so that you can use it later, such as in your retirement, when you no longer earn a consistent paycheck. Growth investment involves long-term investment for capital gains. Safety investment involves minimizing risk to protect the original investment. Merit investment is not a recognized type of investment.

SOURCE: Investing Grade 8

SOURCE: Anspach, D. (2022, January 30). *How to build an investment plan that works for you*. Retrieved August 26, 2024, from <https://www.thebalancemoney.com/an-investment-plan-requires-5-key-considerations-2388541>

99. D

Disability. Disability insurance pays up to two-thirds of a worker's regular gross income while the worker is unable to be on the job. It is an important kind of insurance to have even when the worker has individual or group health insurance to pay their medical bills. Liability insurance protects property owners from losses caused by injuries to others.

SOURCE: Managing Risk Grade 8

SOURCE: Fernando, J. (2021, February 21). *What is disability insurance? Definition and how it protects you.* Retrieved August 27, 2024, from <https://www.investopedia.com/terms/d/disability-insurance.asp>

100. D

Income. Medicaid is a federal health insurance program in the United States that mainly provides health coverage for low-income individuals and families. A person's age is not a crucial factor in one's eligibility for Medicaid. For other programs such as Medicare, age does play a more significant role. While one's coverage and services provided under Medicaid will be influenced by a person's health history, their actual eligibility is not greatly influenced. Eligibility for Medicaid does not change based on gender—the primary factor is one's income level.

SOURCE: Earning Income Grade 8

SOURCE: Medicaid.gov. (2024). *Medicaid*. Retrieved August 27, 2024, from <https://www.medicaid.gov/medicaid/index.html>