

Dollars and Sense

Sample Assessment Questions

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25 Recall /Reproduction Assessment Questions

1. Which statement is NOT true about liability insurance?
 - a. It is required by law
 - b. It covers damage to your car
 - b. It covers the other person's medical expenses
 - c. It covers the other person's property damage
2. Which type of insurance covers vandalism to your car?
 - a. Liability
 - b. Collision
 - c. Comprehensive
 - d. Medical
3. Your salary before taxes is:
 - a. gross pay
 - b. net pay
 - c. taxable income
 - d. none of the above
4. Money that comes in through income and goes out through expenditures includes:
 - a. cash flow
 - b. income
 - c. net worth
 - d. liability
5. Assets minus liabilities equals:
 - a. debt
 - b. income
 - c. net worth
 - d. needs
6. The most common way to manage risk to protect your assets is to use or invest in a/(an):
 - a. savings account
 - b. safe deposit box
 - c. insurance plan
 - d. mutual funds
7. When you borrow money to purchase a car, you will use:
 - a. installment credit
 - b. revolving credit
 - c. a debit card
 - d. a credit card
8. Which of the following does NOT factor into your credit score?
 - a. Payment history
 - b. Amount owed
 - c. New charges
 - d. Your age

9. A number representing your ability to repay a loan is called (a):
- credit report
 - principal
 - mortgage
 - credit score
10. A risky credit arrangement where the borrower gives the lender a post-dated check and the lender provides a cash advance at a high cost to customers is:
- payday loan
 - pawn shop
 - cash advance on credit card
 - installment loan
11. A/(an) ____ occurs when the stock market falls and unemployment rises.
- expansion
 - recession
 - fluctuation
 - dividend
12. Which institution is a non-profit organization where deposits are insured by the National Credit Union Share Insurance Fund (NCUSIF)?
- Banks
 - Credit Unions
 - Savings and Loans
 - Mortgage Brokers
13. Overdraft protection:
- prevents embarrassment of having your purchases declined
 - costs money
 - is not necessary if you keep accurate records
 - all of the above
14. Which of the following debt will be eliminated if you file for bankruptcy?
- Taxes
 - Child support
 - Student loans
 - Credit card debt
15. Which of the following is a flexible expense?
- Food
 - House payment
 - Car payment
 - Insurance
16. Estate planning is:
- deciding who your beneficiaries will be
 - deciding how much money you will accumulate in your lifetime
 - the process of determining how your wealth will be distributed after your death
 - writing a will

17. Diversification is:
- another name for corporate bonds
 - the process of investing in multiple companies to reduce risk of losing all your money if one company fails
 - making an investment in stocks
 - opening and keeping a savings account
18. The legal proceeding in which a bank or other lender repossesses real estate property is called a/(an):
- foreclosure
 - repossession
 - interest
 - mortgage
19. Most financial advisors advise a person to have _____ income in liquid assets, such as a savings account, for emergencies.
- 1 - 2 months
 - 3 - 6 months
 - 6 - 12 months
 - 12 - 18 months
20. When filing bankruptcy, you are responsible for debts incurred _____ days before filing bankruptcy.
- 30
 - 60
 - 90
 - 120
21. The age you must be to draw money out of a 401K plan without paying a penalty fee is:
- 59 ½
 - 62
 - 65
 - 70 ½
22. A claim on the property of another as security for the payment of a legal debt is a/(an):
- automatic stay
 - discharge
 - lien
 - credit
23. After paying into social security to the salary of _____, you no longer have to pay social security tax for the rest of the year.
- \$80,000
 - \$92,000
 - \$102,000
 - \$112,000
24. An agreement with a bank to cover checks if you do not have sufficient money is called:
- overdraft protection
 - bounced check protection
 - a credit card
 - a loan

25. The gradual decrease in the value of an asset such as an automobile is called a(an):
- a. repossession
 - b. fluctuation
 - c. depreciation
 - d. expansion

Recall /Reproduction Assessment Key

- 1. b
- 2. c
- 3. a
- 4. a
- 5. c
- 6. c
- 7. a
- 8. d
- 9. d
- 10. a
- 11. b
- 12. b
- 13. d
- 14. d
- 15. a
- 16. c
- 17. b
- 18. a
- 19. b
- 20. c
- 21. a
- 22. c
- 23. c
- 24. a
- 25. c

25 Skill/Concept Assessment Questions

- The "Truth in Lending Law" protects consumers by:
 - protecting people from discrimination because of their sex, marital status, race, religion or age
 - stating the rules by which consumers and creditors must settle disputes about billing
 - protecting consumers against inaccurate information on his or her credit record
 - requiring creditors to provide a complete account of credit costs and terms
- All of the following represent a reason we need financial planning EXCEPT:
 - the level of savings in the United States has decreased
 - the number of bankruptcy's in the United States has increased
 - over half the people in the United States live from paycheck to paycheck
 - people in the United States are willing to wait and save for the things they want
- The average American spends the largest percent of their income on:
 - food
 - transportation
 - housing
 - entertainment
- Which of the following is NOT a need:
 - food
 - housing
 - clothing
 - cell phone
- Installment credit is useful for all of the following EXCEPT:
 - buying a house
 - buying a car
 - buying a sweater
 - buying a refrigerator
- Which of the following does NOT make you credit worthy?
 - Having a savings account
 - Having too much of your income already obligated in credit
 - Making payments on time
 - Having a good paying job
- What information should you make certain you read on a credit card application?
 - Interest rate, late fees and grace period
 - Interest rate, lenders name and introductory interest rate
 - Rewards offered for using credit
 - Minimum payment required
- Your checking balance is \$495.27 on January 4. On January 5, your paycheck of \$1,594.72 is deposited into your account by direct deposit. You pay your rent which is \$750.00 and your car insurance which is \$155.46. What is the current bank balance remaining in your checking account?
 - \$1,484.53
 - \$1,248.53
 - \$1,184.53
 - \$994.53

9. Which of the following would NOT be a reason a person might consider bankruptcy?
 - a. You lost your job and had to take a lower paying job. Your debt is overwhelming
 - b. You have gone through a divorce resulting in a loss of income
 - c. You have a lot of credit card debt and you want to decrease it so you can buy a house
 - d. You have become disabled resulting in a decrease of income
10. When the economy is depressed, people are least likely to eat at:
 - a. a quick service restaurant
 - b. a fine dining restaurant
 - c. a cafeteria
 - d. home
11. The first step of a financial plan is to:
 - a. purchase insurance to protect your assets
 - b. invest in a 401k so that you can be ready for retirement
 - c. set up a checking account
 - d. set goals for acquiring, saving and spending money
12. When you make a purchase with your debit card, the:
 - a. money is taken out of your checking account immediately
 - b. money is not paid until the end of the month when you receive your statement
 - c. money is paid in three days
 - d. money is paid after the grace period - usually 25-30 days
13. An account where you agree to leave your money for a specific period of time is called a:
 - a. regular savings account
 - b. checking account
 - c. certificate of deposit account
 - d. share draft account
14. Which of the following is NOT a secured loan?
 - a. An auto loan
 - b. A home mortgage
 - c. A credit card loan
 - d. A diamond ring
15. You need a bank account that will help you keep track of your finances, allow your money to be available to you to pay bills, make purchases and keep your money safe. An account that best meets your needs is called a:
 - a. mutual fund account
 - b. checking account
 - c. savings account
 - d. certificate of deposit
16. As a renter you have responsibilities to keep a positive relationship with your landlord to avoid eviction. Which of the following is NOT a responsibility of the renter?
 - a. Pay your rent on time
 - b. Follow the terms of the lease
 - c. Make repairs to the unit as needed
 - d. Give correct information on your rental application

17. Which of the following is NOT an advantage of buying a home?
- Easy to relocate
 - Investment (opportunity to build equity)
 - Tax advantage
 - Flexibility to make design changes
18. Donating and shopping at a thrift store can benefit you by:
- providing you with a tax deductible receipt to use to reduce your taxes
 - protecting the environment by recycling
 - saving you money instead of purchasing an item new
 - all of the above
19. An account that allows you to take money out when you want, allows you to write a specific number of checks and pays interest on the money you have deposited in the account is a:
- money market account
 - checking account
 - savings account
 - certificate of deposit
20. Suzanne listed her four children as equal beneficiaries on her life insurance policy. If she has a \$100,000 policy. How much will each child receive in the event of her death?
- \$10,000
 - \$25,000
 - \$100,000
 - \$400,000
21. Which of the following records do NOT need to be kept permanently?
- Social Security cards
 - Birth certificates
 - Life insurance policies
 - Credit card statements
22. You pay a deductible on your insurance:
- when you make a claim
 - when you obtain the policy
 - after keeping the insurance for five years
 - every year
23. The best reason to give to a charitable organization is:
- to get a tax deduction
 - to support the organization
 - to feel good about yourself and how your contribution makes a difference
 - all of the above
24. When a company wants to keep stock prices low, but the stock has increased in value, they might choose to do a _____. It increases the number of shares without changing the total value of the shares.
- stock split
 - dividend trade
 - expansion
 - fluctuation

25. People invest in financial products such as stocks in hopes of increasing their wealth over a period of time. If someone refers to the stock market as a bear market, they are saying:
- a. stock market prices are rising
 - b. stock market prices are falling
 - c. stock market prices are steady
 - d. stock market prices are fluctuating

Skill/Concept Assessment Key

- 1. d
- 2. d
- 3. c
- 4. d
- 5. c
- 6. b
- 7. a
- 8. c
- 9. c
- 10. b
- 11. d
- 12. a
- 13. c
- 14. c
- 15. b
- 16. c
- 17. a
- 18. d
- 19. a
- 20. b
- 21. d
- 22. a
- 23. d
- 24. a
- 25. b

25 Strategic Thinking Assessment Questions

- Which is NOT true? When saving for retirement,:
 - you can put off paying taxes on retirement savings until retirement
 - the younger you start saving for retirement, the more time your money has to grow
 - the older you are when you start saving for retirement, the younger you are likely to retire
 - many people do not start saving for retirement until they are past 40 years- old. They must save more and still do not accumulate as much wealth for retirement years
- Which of the following is an example of using human resources instead of non-human resources?
 - Purchasing cookies for school lunches
 - Making cookies from scratch instead of spending more money at the bakery for them
 - Before a race, eating cookies for energy
 - Spending money on ingredients to make cookies
- If the cost of housing is high, this probably indicates:
 - the economy is depressed
 - the economy is good and jobs are plentiful
 - there are a large number of houses on the market
 - unemployment is high
- When you go to the ATM machine to make a withdrawal, you receive a receipt showing your current balance. This balance is probably not correct if:
 - you also made a deposit recently
 - you transferred money from your savings account into your checking account
 - tomorrow is payday and your direct deposit will be made
 - you have outstanding checks
- Your bank charges \$28.50 if you charge over the credit limit. They also charge \$25.00 for a late payment fee. If this occurs in the same month, you will pay ___ in penalty fees.
 - \$48.50
 - \$52.50
 - \$53.50
 - \$54.50
- Your credit card has an interest rate of 24.5%. Your balance is \$152.00. If you do not have any additional charges and pay the minimum payment of \$6.00 a month, you will pay off the card in about:
 - three years with an estimated total of \$217.00
 - four years with an estimated total of \$237.00
 - five years with an estimated total of \$257.00
 - six years with an estimated total of \$277.00
- You have a FICO score of 800 and you qualify for a \$3,000.00 loan at 3.5% interest. Your friend, who has a FICO score of 625, will have to pay 6% interest on a \$3,000.00 loan. How much more money will you save in interest over the period of the loan than your friend?
 - \$65.00
 - \$70.00
 - \$75.00
 - \$80.00

8. You wish to improve your credit score. All of the following will help you improve your credit score. Which one will be MOST helpful to you?
- Paying more than the minimum payment
 - A history of making your payments on time
 - Reducing the amount owed in debt
 - Limiting the times you apply for credit
9. You invested \$500.00 in a Certificate of Deposit at 3.5% interest for one year. At the end of one year, how much money will you have?
- \$503.50
 - \$512.50
 - \$517.50
 - \$520.50
10. In order to save on your taxes through charitable giving, you must:
- donate to a charity and take standard deduction on taxes
 - donate to a charity and itemize your tax deductions
 - donate to a charity, keep a donation receipt and take standard deduction on taxes
 - donate to a charity, keep a donation receipt and itemize your tax deductions
11. What is most preferred when transitioning from renting to buying a home?
- A clear idea of what you want in a home and a down payment
 - A clear idea of what payment you can afford and a down payment
 - A down payment, high credit score, a budget and idea of what you want and need in a home
 - A budget, average credit score and clear idea of what you need in a home
12. The reason that a person buys health or life insurance is to:
- make sure he will earn an income if he becomes ill or injured
 - limit the amount of financial loss if there is an illness, injury or loss of life
 - have protection from being sued if another person is injured while visiting his home
 - guarantee that the person will not suffer any loss in a natural disaster such as an earthquake or hurricane
13. Joyce and Sally work at the same company and each earn \$50,000.00 a year. Both are married, but Joyce pays more in taxes than Sally. What two factors make this true?
- Joyce rents her home and contributes to a 401k plan
 - Sally pays interest on a mortgage and makes contributions to her church
 - Joyce has two children and contributes to a college fund
 - Sally is paying on a student loan and contributes to a cafeteria plan
14. All of the following are common mistakes people make when planning to file bankruptcy EXCEPT:
- going to a financial expert to seek advise
 - transferring of property title to a friend or relative
 - cashing in a pension account
 - taking cash advances on credit cards
15. Which of the following does not need to be placed in a safe deposit box?
- Warrantees
 - Birth certificates
 - Adoption certificates
 - Deeds and titles to property or automobiles

16. You purchased your house in 1990 for \$120,000.00. You just sold it for \$210,000.00. How much are your capital gains?
- \$330,000.00
 - \$210,00.00
 - \$150,000.00
 - \$90,000.00
17. Assume you make \$10.00 an hour and work 20 hours a week. You also receive \$1,200.00 a year from a trust fund. What is your annual income?
- \$8,800.00
 - \$10,400.00
 - \$11,600.00
 - \$12,200.00
18. Janice has a car worth \$6,000.00 that she still owes \$2200.00 on. She also has \$900.00 in savings and \$300.00 in checking. What is her net worth?
- \$5,000.00
 - \$6,200.00
 - \$7,200.00
 - \$8,400.00
19. Jason is a new investor with limited knowledge about investing. He would like to invest his recent inheritance from his grandparents long-term and receive a higher rate of interest. You would recommend that he invest in:
- a savings account because the money is always accessible
 - mutual funds because they are diverse and professionally managed
 - stocks because he will have an opportunity for greater growth than with other investments
 - bonds because they are safe
20. A _____ is lending money to a company for a set period of time to earn interest.
- real estate
 - stock
 - mutual fund
 - bond
21. If you withdraw money from a traditional IRA early, you have to pay a 10% penalty fee as well as taxes. If you are in a 28% tax bracket, you will only receive 62% of the money you withdraw. You need \$2,000.00 for a family emergency. How much will you need to withdraw to meet this need?
- \$2,685.00
 - \$2,760.00
 - \$3,142.00
 - \$3,442.00
22. You are in the hospital emergency room after an accident. After an x-ray, MRI, orthopedic visit and a cast, you walk out with an \$8,000.00 medical bill. You have a \$2,000.00 deductible and a 20% co-pay. How much do you owe the hospital?
- Nothing, because you didn't spend the night
 - \$2,000.00
 - \$3,200.00
 - \$3, 600.00

23. Which description does not correctly match the term concerning health and disability insurance?
- a. Disability: pays 100% of your salary if you are unable to work due to illness or accident
 - b. Indemnity plan: you may see any health provider that you choose
 - c. Group insurance: you pay a lower premium because the plan covers a large number of people
 - d. Managed health care: you choose from a list of health care providers who participate in your plan
24. What kind of taxes are you paying when you pay \$1.08 at a store for an item that costs \$1.00?
- a. Federal income tax
 - b. State income tax
 - c. Sales tax
 - d. Property tax
25. Which of the following questions reflects a plan for managing your liquidity?
- a. What expenses should I budget for?
 - b. How much money do I need to maintain in my savings account?
 - c. How much money can I borrow to purchase a car?
 - d. What type of insurance do I need?

Strategic Thinking Assessment Key

- 1. c
- 2. b
- 3. b
- 4. d
- 5. c
- 6. a
- 7. c
- 8. b
- 9. c
- 10. d
- 11. c
- 12. b
- 13. b
- 14. a
- 15. a
- 16. d
- 17. c
- 18. a
- 19. b
- 20. d
- 21. b
- 22. c
- 23. a
- 24. c
- 25. b

25 Extended Thinking Assessment Questions/Tasks

1. Analyze five areas of needs for a good financial plan and describe how each area is addressed.
2. The average family spends about 33% of their income on housing and utilities, 17% on transportation and 14% on food. The Smith family has a monthly net income of \$3,350. Examine their budget and determine how their spending compares with United States averages.

Rent	\$950.00
Utilities	\$250.00
Cell Phone	\$150.00
Car Payment	\$550.00
Auto Insurance	\$200.00
Gas	\$120.00
Food	\$400.00
Health Insurance	\$250.00
Entertainment	\$150.00
Charity & gifts	\$100.00
Savings	\$200.00

3. Analyze how the increased income of a college graduate will offset the cost of a college education.
4. You inherit \$5,000.00 and decide to put it into a retirement account with 6% interest. You also decide you are going to add \$1,000.00 a year. You plan to retire at the age of 65. Analyze and compare the difference in the amount you will have in the account if starting this account at the age of 25 to starting the account at the age of 40.
5. Compare types of loans available to consumers and establish criteria for becoming a low-risk borrower.
6. Research careers in the banking industry. What is the outlook for career opportunities in this field? What educational requirements are needed? What skills and personality characteristics are assets in this field?
7. William and Jane are struggling financially. William was laid off of work and had to take a lower paying job. They own a four-year-old truck that is paid off, but their credit card debt is overwhelming. They have only been able to make the minimum payment on their five credit cards and sometimes their payments are late, which results in additional late fees. At times, there has not been enough money to buy food and pay for medical expenses. Jane is looking for a job to help with the income, but has not been successful. Sometimes they wonder if they should consider bankruptcy, but they would hate to lose their home. If you were their financial advisor, what would you advise?
8. Why would a person lease a car instead of buying one? Explain.
9. Analyze the following statement: "Young people can take bigger risks in hopes of earning higher returns than older people." Explain why you think this is true or false.
10. A man who is 40 years old decides he needs to start investing for retirement. Analyze what his best investment options are at his age and explain why these are best for him.
11. You can save money by washing clothes in cold water, but it takes more energy to dry. Prove which is most cost effective, washing clothes in cold water or warm water.
12. Analyze and describe ways consumers can conserve energy or recycle to protect the environment.
13. You wish to invest money in the stock market. What research would you do to minimize the risk of the loss of your investment?

14. Research and write an essay about how advertising media affects our spending habits.
15. Analyze the following statement on your credit card contract and explain in your own words.

"We may increase Annual Percentage Rates on your future transactions if you:

- 1) *fail to make minimum payment when due;*
- 2) *exceed your credit limit with us;*
- 3) *make a payment that is returned to us for any reason*

We may also increase the Annual Percentage rates on all your balances and transactions if you are more than 60 days late in making a required minimum payment. The amount of APR increase may be based on how you have handled your account with us and current and historical information regarding your credit in general. These increases will be subject to the requirements of applicable law."

16. The old saying, "Don't put all your eggs in one basket" refers to diversification of investments. Why is it important to diversify your investments?
17. You are going through your filing cabinet and decide to organize your documents. You are going to place some of the documents in a safe deposit box at the bank, some in a home filing system and some you will discard. Analyze and determine where you would place each of the following documents:
 - 1) check stubs over one-year-old
 - 2) birth certificates
 - 3) insurance policies
 - 4) stock certificates
 - 5) adoption certificate
 - 6) paid bills
 - 7) canceled checks over five years old
 - 8) wills
 - 9) contracts
 - 10) expired warranties
 - 11) deeds or auto titles,
 - 12) loan statements
 - 13) bonds
 - 14) marriage certificates
 - 15) citizenship papers
 - 16) current cancelled checks
 - 17) income tax statements
 - 18) household inventory
 - 19) health benefit information
 - 20) warranties and service contracts

18. Go to the website www.ssa.gov to learn about social security benefits. Critique the advantages and disadvantages of retiring at the age of 62 versus at the age of 67.
19. Some credit card companies will increase the credit limit to customers who only make the minimum payment when they have maxed out their credit card. Critique this practice and explain whether or not you believe this practice is ethical.
20. Credit cards are accepted by most merchants. Some merchants choose not to accept credit cards. Analyze the advantages and disadvantages of merchants accepting credit cards as payment.
21. Compare a fixed rate mortgage to an adjustable rate mortgage. Why would some buyers prefer one over the other?

22. Research and examine what a consumer can do to prevent identity theft. How will this affect your actions as a consumer?
23. Discretionary income is the money you have left over when you pay your regular expenses. Analyze behaviors that maximize discretionary income. How might writing a budget, tracking expenses and monitoring a budget increase discretionary income? How do your spending behaviors increase or decrease discretionary income?
24. Analyze the benefits of direct deposit to both the employee and employer.
25. Investigate education and training requirements for various consumer services careers. Analyze if any of these careers are suitable for your aptitudes, interests and career planning.

Extended Thinking Assessment Key

1. Answers will vary but might include areas such as:
 - a. budget and taxes - ways to maximize income and reduce taxes
 - b. liquidity management - how to handle emergency expenses
 - c. personal financing - what are good ways to use credit and what things you should avoid using credit to purchase
 - d. protecting your assets - insurance
 - e. personal investing - when and how
 - f. planning for retirement
 - g. record keeping and writing a will
2. Rent and utilities are 35%, transportation is 25% and food is 12%.
3. Answers will vary
4. If an account is started at age 25, you will have \$206,190.56 at the age of 65 and you will contribute \$25,000 more than if you start at the age of 40. If you start at age 40, you will have \$76,323.87 at the age of 65.
5. Answers will vary
6. Answers will vary
7. Answers will vary, but some points that might be made are: Should they choose to file bankruptcy, in most states their home would be exempt from discharge. Before resorting to bankruptcy, they should contact credit card companies and try to get a lower rate of interest or late fees forgiven. Since Jane is looking for a job and their income might increase, they might consider a debt consolidation loan using their truck as collateral. Five credit cards is too many. They should cut up four and save the one with the lowest interest rate for emergencies. Having enough nutritional food is a concern, but they might contact a local food bank to get some help in this area. As Jane looks for a job, she should make sure she considers the benefits. A good health insurance plan would be an asset to the family income. Bankruptcy should be last resort as it damages credit, causes loss of privacy and accounts to be closed.
8. Answers will vary
9. Answers will vary but answers should reflect that a young person has more time before retirement to recover from losses.
10. Answers will vary
11. Answers will vary, but 90% of the energy used in washing clothes is the heating of the water. Alternatives to using a dryer that save the environment and money is to air dry.
12. Answers will vary
13. Answers will vary, but might include looking at the history of the company or examining the need for the product or service the company provides.
14. Answers will vary

15. Answers will vary but students should say that the first three conditions apply to future charges while the second statement concerning the 60 day past due bill would apply to all balances. Laws vary from state to state concerning the maximum interest that can be charged so student needs to research the laws of their state.
16. Answers will vary, but might include:
- 1) stable companies may be sold to another company
 - 2) if all your investments are with one company, they may or may not make the profits you are looking for
 - 3) the company could go bankrupt
 - 4) when you diversify, you spread out the risk
17. Safe deposit box - 2, 4, 5, 8, 11, 13, 14, 15, 18
Home filing - 3, 6, 9, 12, 16, 17, 19, 20
Discard - 1, 7, 10
18. Answers will vary
19. Answers will vary
20. Merchants know that some customers will not buy goods if they cannot use a credit card so accepting credit cards increases their sales. The disadvantage is that the credit card companies receive a percentage of the sale so the merchant loses money on credit card sales.
21. Answers will vary
22. Answers will vary
23. Answers will vary, but might include: 1) Monitoring a budget makes one more aware of how they are spending their money and where they might adjust their budget. 2) Using spending methods that cost money such as credit cards will reduce discretionary income because you are paying for the use of that money. That interest paid could be spent some place else.
24. Answers will vary, but might include: The employer saves money and time by not having to issue paper checks. For the employee it speeds the process of getting the money into the account, you do not have to worry about losing the check or having it stolen before you get to the bank. You save time because you don't have to go to the bank to deposit it. It is also might be environmentally friendly.
25. Answers will vary