

Unit 9 Test Financial Literacy

Name _____ Date _____ Hour _____

Standard 1

Multiple Choice

Choose the answer that best completes each statement or question.

- ___ 1. A plan that helps track income and expenses is a(n) ____.
- A. budget
 - B. account plan
 - C. financial plan
 - D. earnings forecast
- ___ 2. A broad strategy for handling your money is a(n) ____.
- A. budget
 - B. account plan
 - C. financial plan
 - D. earnings forecast
- ___ 3. Rent or mortgage payments are examples of ____.
- A. fixed expenses
 - B. variable expenses
 - C. fixed income
 - D. variable income
- ___ 4. Groceries and gasoline for your car are examples of ____.
- A. fixed expenses
 - B. variable expenses
 - C. fixed income
 - D. variable income
- ___ 5. **True or False** A profession or line of work actively pursued is referred to as a job.
- ___ 6. **True or False** Budgets are much easier to develop on a fixed income as opposed to a variable income.
- ___ 7. **True or False** Your gross income from a job is the amount of money that you would take home after deductions.

- ___ 8. **True or False** Social security (FICA) began in 1935 as a retirement and disability insurance program.
- ___ 9. **True or False** If the amount of federal income tax withheld from your check is more than the amount you actually owe, the government will use the excess funds for additional services.

Standard 2

Multiple Choice

Choose the answer that best completes each statement or question.

- ___ 10. Taxes from your paycheck are referred to as ____.
- A. sales tax
 - B. income tax
 - C. property tax
 - D. excise tax
- ___ 11. Taxes on products such as alcohol and tobacco to discourage their use are referred to as ____.
- A. sales tax
 - B. income tax
 - C. property tax
 - D. excise tax
- ___ 12. What is the IRS time restriction on pursuing someone who filed a fraudulent return or who had taxable income and did not file a return?
- A. two years
 - B. five years
 - C. seven years
 - D. no time restriction
- ___ 13. **True or False** Sales tax is usually collected at the point of sale and the consumer cannot avoid paying it.
- ___ 14. **True or False** Taxes raise money to pay for government operations, facilities, and services.
- ___ 15. **True or False** A title gives the owner legal rights to control the property or possession as he or she wishes.

Standard 3

Multiple Choice

Choose the answer that best completes each statement or question.

- ___ 16. An organization that acts as a “middleman” between buyers and sellers of trading commodities and futures contracts is a ____.
- A. credit union
 - B. mortgage company
 - C. brokerage firm
 - D. investment company
- ___ 17. A nonprofit financial institution owned and operated for the benefit of members who have a common bond is a ____.
- A. credit union
 - B. commercial bank
 - C. mortgage company
 - D. savings and loan association
- ___ 18. A stock company that is operated for profit and is usually full-service, including receiving, transferring, and lending money is a ____.
- A. credit union
 - B. commercial bank
 - C. mortgage company
 - D. savings and loan association
- ___ 19. A financial institution that is chartered only by state governments and is owned by depositors is a ____.
- A. credit union
 - B. mortgage company
 - C. mutual savings bank
 - D. savings and loan association
- ___ 20. A financial institution that is either a mutual or stock company that offers financial security to family members of an insured client as well as a variety of savings and investment services is a ____.
- A. mortgage company
 - B. life insurance company
 - C. mutual savings bank
 - D. production credit association

- ___ 21. A financial institution that is not protected by federal insurance and offers a combination savings and investment program including interest on savings, limited check writing, and higher interest on mutual funds is a(n) ____.
- A. investment company
 - B. life insurance company
 - C. mutual savings bank
 - D. production credit association
- ___ 22. A financial institution that provides short-term credit for agricultural producers in which funds are secured through federal intermediate banks that secure money from private lenders is a(n) ____.
- A. investment company
 - B. financial supermarket
 - C. mutual savings bank
 - D. production credit association
- ___ 23. A bank that offers a variety of services is referred to as a ____.
- A. primary bank
 - B. consumer bank
 - C. commercial bank
 - D. full-service bank

Standard 4

Multiple Choice

Choose the answer that best completes each statement or question.

- ___ 24. What color of ink should be used when writing a check?
- A. red
 - B. blue
 - C. black
 - D. any color
- ___ 25. **True or False** An overdraft can result in large fees from both your bank and the recipient of the check.
- ___ 26. **True or False** Checking your account balance online will always give you an accurate account balance.
- ___ 27. **True or False** Most banks will hold a postdated check on which a future date is written.
- ___ 28. **True or False** You should sign a check with the name used on the signature card when the account was opened.

- ___ 29. **True or False** Most banks set limits on how long customers have to correct mistakes on a bank statement.

Standard 5

Multiple Choice

Choose the answer that best completes each statement or question.

- ___ 30. The process of placing money into routes such as stocks, bonds, mutual funds, or real estate in which money can be made in return is referred to as ____.
- A. saving
 - B. spending
 - C. investing
 - D. marketing
- ___ 31. An account that permits the customer to add money or to make withdrawals in varying amounts at any time is a(n) ____.
- A. annuity
 - B. Certificate of Deposit (CD)
 - C. regular savings account
 - D. money market account
- ___ 32. An account that pays interest based on U.S. Treasury bill rates is a(n) ____.
- A. annuity
 - B. Certificate of Deposit (CD)
 - C. regular savings account
 - D. money market account
- ___ 33. An account that requires the customer to deposit a certain amount of money for a specific length of time is a(n) ____.
- A. annuity
 - B. Certificate of Deposit (CD)
 - C. regular savings account
 - D. money market account
- ___ 34. A fund in which the depositor's funds are "pooled" with other depositor's funds to buy money market items is a(n) ____.
- A. annuity
 - B. Certificate of Deposit (CD)
 - C. money market account
 - D. money market mutual fund

- ___ 35. A type of protection purchased from an insurance company for the purpose of providing income for the policyholder until death is a(n)___.
- A. annuity
 - B. Certificate of Deposit (CD)
 - C. government savings bond
 - D. money market mutual fund
- ___ 36. What type of investment carries the greatest risk and also the highest potential rate of return?
- A. bonds
 - B. stocks
 - C. mutual funds
 - D. cash equivalents
- ___ 37. What type of investment carries the least risk and has a low rate of return?
- A. bonds
 - B. stocks
 - C. mutual funds
 - D. cash equivalents
- ___ 38. What type of investment does the issuer promise to pay back the principal on a certain date, along with interest payments?
- A. bonds
 - B. stocks
 - C. mutual funds
 - D. cash equivalents
- ___ 39. What type of investment is a good way to diversify your investments?
- A. bonds
 - B. stocks
 - C. mutual funds
 - D. cash equivalents
- ___ 40. **True or False** Government savings bonds typically have a higher interest rate compared to a savings account or Certificate of Deposit.

Standard 7

Multiple Choice

Choose the answer that best completes each statement or question.

- ___ 41. A source of credit that offers cash loans with interest in exchange for property left as collateral is a ____.
- A. retail store
 - B. pawnbroker
 - C. private lender
 - D. payday loan company
- ___ 42. A source of credit that offers small, short term loans also known as “cash advance loans” is a ____.
- A. retail store
 - B. pawnbroker
 - C. private lender
 - D. payday loan company
- ___ 43. A source of credit that is often a friend or family member who offers cash loans with or without interest is a ____.
- A. retail store
 - B. pawnbroker
 - C. private lender
 - D. payday loan company
- ___ 44. A source of credit that acts as a source of personal loans, installment loans, and credit cards that generally offers competitive interest rates is a ____.
- A. retail store
 - B. private lender
 - C. commercial bank
 - D. finance company
- ___ 45. **True or False** Many states have laws regulating how much interest finance companies can charge and the amount of money they can loan.
- ___ 46. **True or False** If an item used to secure credit is repossessed, the borrower will no longer be liable for any of the loan.
- ___ 47. **True or False** If a loan is repaid through garnishment, the borrower must also return the item that the money was used to purchase.
- ___ 48. **True or False** Your credit history is given on a credit report, which is an official record of a borrower’s credit history as compiled by the credit bureau.

- ___ 49. **True or False** Interest rates on most loans are expressed as an annual percentage rate (APR).

Standard 8

Multiple Choice

Choose the answer that best completes each statement or question.

- ___ 50. What is the most expensive way to use a credit card?
- A. pay the balance in full every month
 - B. pay the minimum payment every month
 - C. pay the balance in full more often than once a month
 - D. pay more than the minimum payment, but less than the balance, every month
- ___ 51. What is the most cost-effective way to use a credit card?
- A. pay the balance in full every month
 - B. pay the minimum payment every month
 - C. pay the balance in full more often than once a month
 - D. pay more than the minimum payment, but less than the balance, every month
- ___ 52. **True or False** Credit cards have many disadvantages and no advantages.

Standard 11

Multiple Choice

Choose the answer that best completes each statement or question.

- ___ 53. Insurance that covers expenses for personal injuries, property damage, and legal proceedings that could occur as a result of an automobile accident is ___.
- A. auto insurance
 - B. disability insurance
 - C. liability insurance
 - D. home insurance
- ___ 54. Insurance that covers expenses arising from loss of income because of illness and/or accident is ___.
- A. auto insurance
 - B. disability insurance
 - C. liability insurance
 - D. home insurance

- ___ 55. Insurance that covers expenses for care because of illness and accident is ____.
- A. auto insurance
 - B. disability insurance
 - C. liability insurance
 - D. health insurance
- ___ 56. Insurance that covers expenses for medical care, nursing care, and other assistance needed arising from aging or a chronic illness or disability is ____.
- A. health insurance
 - B. disability insurance
 - C. liability insurance
 - D. long-term care insurance
- ___ 57. Insurance that covers expenses for burial, outstanding debts, and loss of income and security for the insured's dependents if the insured dies is ____.
- A. life insurance
 - B. disability insurance
 - C. liability insurance
 - D. long-term care insurance
- ___ 58. Insurance that covers expenses of lawsuits arising because the insured's property causes someone else personal injury is ____.
- A. life insurance
 - B. disability insurance
 - C. liability insurance
 - D. long-term care insurance
- ___ 59. **True or False** Insurance policies with lower deductibles generally have lower premium payments.

Standard 13

Multiple Choice

Choose the answer that best completes each statement or question.

- ___ 60. The type of bankruptcy in which the person is overextended but wants to meet their obligations and the bankruptcy notation is not listed on credit reports is ____.
- A. limited bankruptcy
 - B. partial bankruptcy
 - C. Chapter 7 bankruptcy
 - D. Chapter 13 bankruptcy

- ___ 61. The type of bankruptcy in which the person cannot pay their obligations and all property is sold with proceeds going to the creditor is ____.
- A. standard bankruptcy
 - B. consumer bankruptcy
 - C. Chapter 7 bankruptcy
 - D. Chapter 13 bankruptcy
- ___ 62. The debtor's petition for bankruptcy becomes part of his or her permanent credit record for ____.
- A. five years
 - B. ten years
 - C. fifteen years
 - D. the debtor's lifespan
- ___ 63. **True or False** An advantage of debt consolidation is that there is only one creditor to work with on managing debt.
- ___ 64. **True or False** A home equity loan is never a good option to avoiding bankruptcy.
- ___ 65. **True or False** The best way to improve your credit score after bankruptcy is to set a budget and pay your bills on time.