

BASELINE ASSESSMENT PERSONAL FINANCE TEST

1. An opportunity cost is a
 - a. good price
 - b. trade-off
 - c. income
 - d. asset

2. In a/an _____ mortgage, the interest rate and monthly payment amount remains the same for the life of the loan.
 - a. adjustable rate
 - b. conventional
 - c. graduated payment
 - d. reverse

3. Renting is often a wise choice for someone who wants
 - a. pets
 - b. stability
 - c. privacy
 - d. mobility

4. The maximum amount of credit that the creditor will extend to the borrower is called the
 - a. adjusted balance
 - b. average daily balance
 - c. prestige card
 - d. smart card

5. To earn high interest rates on a certificate of deposit, you must accept all the following limitations EXCEPT
 - a. leaving money in for the term of the deposit
 - b. paying a penalty when money is withdrawn
 - c. completing a monthly bank reconciliation
 - d. depositing a minimum amount

6. In which kind of savings plan does the interest rate vary from month to month?
 - a. regular savings
 - b. the name of the payee
 - c. your signature on the front
 - d. US Savings Bonds

7. When writing a check, include all of the following EXCEPT
- current date
 - the name of the payee
 - your signature on the front
 - an endorsement on the back
8. A disadvantage of renting is
- more responsibilities
 - high initial costs
 - restricted lifestyle
 - eligible
9. Which financial institutions generally charge the highest rates on loans?
- credit unions
 - mutual savings banks
 - commercial banks
 - finance company
10. The first step in planning a budget is
- estimate incoming
 - setting financial goals
 - listing fixed expenses
 - budgeting for savings
11. A good budget has all the following characteristics EXCEPT:
- inaccessibility
 - flexibility
 - practically
 - careful planning
12. An example of a closing cost is the fee for
- garbage removal
 - town house
 - prefabricated house
 - mobile home
13. Which of the "5 C's of credit" requires that a person's assets exceed his or her liabilities?
- character
 - capacity
 - capital
 - collateral

14. In the first years of a mortgage, most of the monthly payment goes toward paying off the

- a. points
- b. property taxes
- c. principal
- d. interest

15. The Federal Deposit Insurance Corporation insures depositors against losing their money in a case of a

- a. lost debit card
- b. stolen paycheck
- c. bank failure
- d. death in the family

16. An example of a variable expense is

- a. mortgage payment
- b. an auto insurance premium
- c. school tuition
- d. medical expenses

17. Your budget shows a surplus when you

- a. spend more money than budgeted on entertainment
- b. receive a cut in pay
- c. spend money budgeted for emergencies on car repair
- d. spend less than you earn

18. The most commonly used payment service is a:

- a. savings account
- b. certificate of deposit
- c. checking account
- d. mutual fund

19. An automatic payment is when your

- a. employer deposits your paycheck
- b. bank withdraws money for a bill
- c. friends use your PIN
- d. local ATM accesses your account

20. A savings option many employers offer is

- a. paying interest on employees' savings
- b. sending employees' children through college
- c. writing a check for employees' savings account
- d. putting paycheck deductions in employees' retirement funds

21. To earn high interest rates on a certificate of deposit, you must accept all the following limitations EXCEPT
- a. leaving money in for the term of the deposit
 - b. paying a penalty when money is withdrawn
 - c. completing a monthly bank reconciliation
 - d. depositing a minimum amount
22. An example of a payroll deduction required by law is
- a. union dues
 - b. Social Security tax
 - c. pension fund
 - d. life insurance premiums
23. If your paycheck is immediately deposited into savings or checking account is known as:
- a. ATM access
 - b. direct deposit
 - c. compound interest
 - d. certificate of deposit
24. The salary reduction plan for an employee at a tax exempt or public, nonprofit institution is called a
- a. 401(k) plan
 - b. 403(b) plan
 - c. SEP-IRA
 - d. Keogh plan
25. After federal, state, and local taxes are subtracted from a paycheck, the amount of money left is called
- a. gross pay
 - b. net pay
 - c. salary
 - d. wages
26. If your ATM card is lost, you should
- a. cancel the last purchase made with the card
 - b. move your accounts to another financial institution
 - c. notify the Federal Reserve System within 24 hours
 - d. report the loss to the issuing bank
27. An emergency savings fund should cover _____ worth of expenses.
- a. 3 months
 - b. 6 months
 - c. 1 year
 - d. 8 months
28. Which of the following illustrates Jacob's Latte Factor?
- a. Spending \$1200 a month on rent
 - b. Spending \$300 a month on his student loans
 - c. Spending \$150 a week on groceries
 - d. Spending \$10 a day at Five Guys

Answer questions 29 – 33 based on the budget below

Ali's Budget	
Net Pay	\$2690
Rent	\$900
Electric	\$40
Gas	\$65
Transportation	\$200
Groceries	\$150
Cell Phone	\$80
Cable	\$100
Misc.	\$120

29. What is Ali's total expense?

- a. \$2690
- b. \$1555
- c. \$4245
- d. \$1655

30. What is the biggest problem/issue with Ali's budget?

- a. His rent is too high
- b. He needs to add "savings" to his budget
- c. He has too much discretionary income
- d. Insufficient information is given

31. Ali is planning on going back to college. It is going to cost him \$350 a month. Based on the information given, Ali **can** afford the extra \$350 given his budget.

- a. True
- b. False

32. Ali's net pay is \$2690. This means his taxes have not been taken out yet.

- a. True
- b. False

33. Which of the following is **not** a variable expense in Ali's budget?

- a. Rent
- b. Gas
- c. Transportation
- d. Groceries

34. _____ schools are tax supported, therefore are less expensive.
- a. public
 - b. vocational
 - c. technical
 - d. Private
35. If a student earns money to pay for college while working a part time job on campus, he/she is part of the _____ program.
- a. Skills based
 - b. Vocational
 - c. Career
 - d. Work-study
36. This alternative to college allows students to travel abroad to gain volunteer & real-world experience.
- a. ROTC
 - b. Gap Year
 - c. Technical Schools
 - d. Work-study
37. The type of selectivity where all students with a HS diploma or GED are accepted is known as:
- a. Open admissions
 - b. Low selectivity
 - c. Not selective
 - d. Moderately selective
38. A web-based program that assist students in the college decision making process:
- a. FAFSA
 - b. Naviance
 - c. ncc.edu
 - d. none of the above
39. Financial aid can be:
- a. Lent
 - b. Earned
 - c. Given
 - d. All of the above

40. Alice is an exceptional ballet dancer. Since the age of 5, she has won multiple awards from the various competitions she has entered. Alice would like to pursue ballet in college. What type of financial aid may she be given based on her talent as a ballet dancer?
- A Pell grant
 - A need based scholarship
 - A merit based scholarship
 - An athletic scholarship
41. Emmett is receiving a subsidized loan for his freshman year in college. A subsidized loan is one which:
- Is based on a financial need
 - Does not accumulate interest while in school
 - None of the above
 - Both a & b
42. Rosalie is receiving an unsubsidized loan for her junior year at George Washington University. An unsubsidized loan is one which:
- Is based on financial need
 - Accumulates interest from the time it is taken out
 - Does not accumulate interest while you are in school
 - Both a & b
 - None of the above
43. Loans that parents can take out on behalf of their children are called:
- Subsidized loans
 - Unsubsidized loans
 - PLUS loans
 - A hand-out
44. The most expensive type of student loan to get is:
- Perkins loan
 - Subsidized loan
 - Unsubsidized loan
 - Private student loan
45. If there is a change in your parents' financial status (lose a job, get a raise, etc.), a FAFSA form must be filled out again.
- True
 - False

46. A letter that is sent to a prospective student that outlines their financial aid is called:
- a. An awards letter
 - b. FAFSA
 - c. A SAR report
 - d. None of the above
47. EFC is an acronym for:
- a. Exceptional freshmen consideration
 - b. Exceptional financial contribution
 - c. Expected family contribution
 - d. Expected freshmen contribution
48. COA stands for:
- a. cash opportunity analysis
 - b. cost of attendance
 - c. cost opportunity analysis
 - d. none of the above
49. What is the range of a credit score?
- a. 0 – 850
 - b. 1000 – 2000
 - c. 300 – 850
 - d. 350 – 750
50. Which type of bankruptcy allows you to pay your debts over a period of time?
- a. Chapter 13
 - b. Chapter 7
 - c. Chapter 11
 - d. Chapter 30

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

26. d
27. d
28. d
29. d
30. b
31. a
32. b
33. a
34. a
35. d
36. b
37. a
38. b
39. d
40. c
41. d
42. d
43. c
44. d
45. a
46. a
47. c
48. b
49. c
50. a