



Practice Test

Round 1: Personal Finance

Question 1

Which strategy is most likely to improve a person's financial situation over a lifetime?

- a. Using credit to spend more than a person earns
- b. Making financial decisions based on intuition
- c. **Saving early in life when a person begins earning an income**
- d. Gaining work experience early instead of continuing in school

Question 2

Shawn has determined that the value of his assets is \$60,000 and that the value of his debts/liabilities is \$35,000. The difference between these two is \$25,000 and would represent Shawn's:

- a. Opportunity cost
- b. Liquid assets
- c. Outstanding balance
- d. **Net worth**

Question 3

What is the form you fill out to apply for college financial aid from the federal government?

- a. Government College Aid Form (GCAF)
- b. **Free Application for Federal Student Aid (FAFSA)**
- c. Federal Student Loan Application (FSLA)
- d. None of the above

Question 4

Equity in your home means:

- a. The price which you could receive for selling your home
- b. The price which you could receive for selling your home minus the original cost of building or purchasing your home
- c. The loan you have in order to purchase your home
- d. **The price which you could receive for selling your home minus the amount you owe on the mortgage**



Practice Test

Question 5

When Chelsea is born, her grandparents buy her a \$10,000, 20-year treasury bond at a 3% interest rate to help her pay for college. What will the value of this bond be when Chelsea turns 20?

- a. More than \$25,000
- b. Between \$15,000 and \$20,000**
- c. It depends on how the stock markets do
- d. It depends on what happens to inflation

Question 6

If a borrower chooses to pay back a loan over a longer period of time, the monthly payment is:

- a. Higher and the total interest paid is higher
- b. Lower and the total interest paid is lower
- c. Lower and the total interest paid is higher**
- d. Higher and the total interest paid is lower

Question 7

What is stock?

- a. A share of the ownership of a company**
- b. A portion of the company's office building
- c. The profit of a company
- d. The inventory of a company

Question 8

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the standard insurance amount covered by the FDIC was increased from \$100,000 to _____ "per depositor, per insured bank, for each account ownership category."

- a. \$150,000
- b. \$200,000
- c. \$250,00**
- d. \$500,000



Practice Test

Round 2: Economics

Question 1

The United States, like most economies in the world today, is best described as:

- a. A market economy
- b. A command economy
- c. A mixed market economy**
- d. A traditional economy

Question 2

What is opportunity cost?

- a. Money paid for opportunity
- b. Irrelevant for choices people make
- c. The highest valued alternative given up when a choice is made**
- d. The interest earned on an investment

Question 3

The total market value of all final goods and services produced annually in a country is called:

- a. Consumption
- b. Gross domestic and gross national product
- c. Gross national product
- d. Gross domestic product**

Question 4

According to the supply-demand model, which of the following would occur if there were a worldwide drought in tea-growing regions?

- a. Reduced quantity and increased price of tea**
- b. Increased quantity and increased price of tea
- c. Reduced quantity and reduced price of tea
- d. Increased quantity and reduced price of tea



Practice Test

Question 5

The greater the price elasticity of demand for a good, the:

- a. More likely the good is a necessity
- b. Smaller the responsiveness of quantity demanded to change in price
- c. Greater the percentage change in price over the percentage change in quantity demanded
- d. **Greater the responsiveness of quantity demanded to a change in price**

Question 6

When people are taxed at a lower percentage rate relative to their income levels, it is described as a(n)

- a. Proportional income tax
- b. Progressive income tax
- c. **Regressive income tax**
- d. Alternate minimum tax

Question 7

The term scarcity describes the situation where:

- a. Wants and resources are limited
- b. Wants are limited and resources are unlimited
- c. **Wants are unlimited and resources are limited**
- d. Both wants and resources are unlimited

Question 8

The education and training of workers is called:

- a. Technological change
- b. Technological progress
- c. **Human capital**
- d. Increasing returns to labor



Practice Test

Lightning Round

Question 1

Who makes fiscal policy in the United States?

- a. **President and Congress**
- b. Federal Reserve
- c. U.S. Treasury
- d. I.R.S.

Question 2

Compound interest is calculated on:

- a. **On the principle and interest**
- b. On the principle minus the amount paid annually
- c. On the principle but not on the interest earned
- d. Using a complex formula that prorates interest over the life of an investment

Question 3

Who has the greatest need for life insurance?

- a. A dual income couple
- b. Singles living alone
- c. Singles living with parents
- d. **Households with small children**

Question 4

During a storm, your neighbor's tree falls on your house. Whose policy covers the damage?

- a. Both yours and your neighbor's
- b. Damage by trees is not covered
- c. **Your home owner's insurance**
- d. Your neighbor's home owner's insurance



Practice Test

Question 5

A health savings account is:

- a. The same as a flexible spending account
- b. An insurance plan
- c. A way to save for health costs if you have a high deductible health insurance plan**
- d. A plan under Medicare

Question 6

The Wagner Act of 1935:

- a. Required employers to bargain with unions in good faith
- b. Enforced antitrust laws against unions
- c. Made it illegal for employers to interfere with their employees' right to organize or join a union
- d. Both a and c**

Question 7

Retirement income paid in regular installments by an employer is a(n):

- a. 401(k)
- b. Pension**
- c. Social Security payment
- d. Annuity