Practice Match

Round 1

Personal Finance

Each correct response worth 5 points!

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

d. Saving early in life when a person begins earning an income

Saving early in life as a person earns an income will contribute to long-term financial success. The power of compound interest means that people earn interest on the interest accumulated in their savings accounts, and thus the value of their savings will grow. None of the other options provide a likely or viable strategy for wealth creation, and are more likely to reduce the potential to increase lifetime wealth.

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

d. Net worth

The definition of net worth is assets minus liabilities. Shawn's assets are $60,000 minus his debts of $35,000 making his net worth $25,000.

3. If you must borrow money for college, which federal loan offers the best deal?

a. Perkins loan

b. PLUS loan for parents

c. Subsidized Stafford loan

d. Unsubsidized Stafford loan

c. Subsidized Stafford loan

While subsidized and unsubsidized Stafford loans carry the same interest rate, the federal government pays interest on subsidized loans while the student is in school, in their grace period, or in deferment or forbearance. The PLUS loan carries a higher interest rate, and the Perkins loan was not renewed by congress in 2017, ending the program.

4. Equity in your home means what?

a. The price you could receive for selling your home.

b. The price 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 you could receive for selling your home minus the amount you owe on the mortgage.

d. The price you could receive for selling your home minus the amount you owe on the mortgage.

Home equity is the difference of the home's fair market value and the outstanding balance of all debts on the property.

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

b. Between $15,000 and $20,000

Bonds accrue interest at a set rate for a set period of time. The value of a bond is independent of stock market performance and while inflation may affect the value of the dollar amount earned on the bond, it too has no affect on the monetary value of the bond after it is purchased.

A $10,000 bond, compounded annually at 3% for 20 years will be worth $18,061.11 at maturity.

$10,000*1.03^20=$18,061.11

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.

c. Lower and the total interest paid is higher

A car loan is a good example of this. If you opt for a longer repayment period (i.e. 72 months versus 48 months) your monthly payment will be lower, but you will pay more interest over the period of the loan because it is taking longer for you to pay it back and the interest paid is calculated annually.

Ex. A $20,000 car loan with a 4% interest rate

- *48 months*
  - *Monthly payment: $452*
  - *Total interest: $1,676*
- *72 months*
  - *Monthly payment: $313*
  - *Total interest: $2,529*

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.

a. A share of the ownership of a company.

A stock is a type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

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. $250,000

d. $500,000

a. $250,000

The Dodd-Frank Wall Street Reform and Consumer Protection Act was financial reform legislation passed in 2010 in response to the financial crisis of 2008. Part of the provisions in the Act included increasing the FDIC insurance on deposits from $100,000 to $250,000.

Round 2

Economics

Each correct response worth 5 points!

Are there any substitutions?

1. The United States, like most economies in the world today, is best described as what?

a. A market economy

b. A command economy

c. A mixed-market economy

d. A traditional economy

c. A mixed-market economy

A mixed market economy is variously defined as an economic system consisting of a mixture of either markets & economic planning, public ownership & private ownership, or free markets & economic interventionism. The U.S. government has always played some role in economic affairs. Over time, more and more services have come under the influence of the public sector.

2. Opportunity cost is best defined as what?

a. How much money is paid for something.

b. How much money is paid for something, taking inflation into account.

c. The highest valued alternative that is sacrificed in making a choice.

d. All the alternatives that are sacrificed in making a choice.

c. The highest valued alternative that is sacrificed in making a choice.

Opportunity cost refers to a benefit a person could have received, but gave up, to take another course of action.

3. The total market value of all final goods and services produced annually in a country is called what?

a. Consumption

b. Gross Domestic Product and Gross National Product

c. Gross National Product

d. Gross Domestic Product

d. Gross Domestic Product

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific period of time. GDP is equal to all private consumption, gross investment, government investment, government spending, and net exports.

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.

a. Reduced quantity and increased price of tea.

A drought in tea producing regions would potentially lead to a reduced quantity of tea produced. The demand for tea would remain constant but their would be less available to meet this demand, resulting in increased prices.

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.

d. Greater the responsiveness of quantity demanded to a change in price.

Price elasticity of demand is a measure of the change in quantity demanded or purchased of a product in relation to its price change, all else being equal. The more elastic the price elasticity of demand for a good is, the greater quantity demanded will change in response to a price change.

6. When people are taxed at a lower percentage rate relative to their income levels, it is described as what?

a. Proportional income tax

b. Progressive income tax

c. Regressive income tax

d. Alternative minimum tax

c. Regressive income tax

A regressive tax is a tax that takes a larger percentage of income from low-income earners than from high-income earners. One example of a regressive tax is the sales tax. Even though the sales tax may be uniform (6%), it takes a larger proportion of lower-income consumers' income than higher-income consumers.

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.

c. Wants are unlimited and resources are limited.

There are limited resources on our planet and unlimited wants and desires from consumers and producers. This is the basis of the study of economics.

8. The education and training of workers is called what?

a. Technological change

b. Technological progress

c. Human capital

d. Increasing returns to labor

c. Human capital

Human capital is the measure of economic value of an employee's skill set. A worker's education and training would count towards human capital because training impacts a worker's skill set.

Round 3

Lightning Round

Each correct response worth 10 points

Each incorrect response loses 10 points

Are there any substitutions?

1. Who makes fiscal policy in the United States?

a. President and Congress

b. Federal Reserve

c. U.S. Treasury

d. I.R.S.

a. President and Congress

Fiscal policy is the use of government revenue collection and expenditure to influence the economy. Fiscal policy is set by the President and Congress.

2. Compound interest is calculated…

a. On principal and interest.

b. On principal minus the amount paid annually.

c. On principal but not on interest earned.

d. Using a complex formula that prorates interest over the life of an investment.

a. On principal and interest.

Compounding involves adding interest to the sum of the principal and any previous interest and then calculating interest off of this sum in the next period.

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

d. Households with small children

Life insurance is a protection against financial loss that would result from the premature death of an insured. The named beneficiary receives the proceeds and is thereby safeguarded from the financial impact of the death of the insured.

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.

c. Your home owner's insurance.

If a tree hits a home, standard homeowners insurance policies provide coverage for the damage the tree does to the structure and the contents in it. This includes trees felled by wind, lightning or hail. It does not matter whether or not you own the tree; if it lands on your home, you can file a claim with your insurance company.

5. What is a health savings account?

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.

c. A way to save for health costs if you have a high deductible health insurance plan.

A health savings account (HSA) is a tax-advantaged medical savings account available to taxpayers in the United States who are enrolled in a high-deductible health plan. The funds contributed to an account are not subject to a federal income tax at the time of deposit.

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.

d. Both a and c.

The Wagner Act, or the National Labor Relations Act, was a New Deal reform passed by President Franklin Roosevelt on July 5, 1935. It was instrumental in preventing employers from interfering with workers' unions and protests in the private sector.

7. Which of the following provides retirement income paid in regular installments by an employer?

a. 401(k)

b. Pension

c. Social Security payment

d. Annuity

b. Pension

A pension is a regular payment made during a person's retirement from an investment fund to which the employer and sometimes the employee has contributed during their working life.

VERMONT

TREASURY CUP CHALLENGE

2019