

TEST Q4

Indicate whether the statement is true or false.

1. Treasury bills are sold in units of \$10,000.
 - a. True
 - b. False
2. There are two types of bonds you can buy: federal government bonds and municipal bonds.
 - a. True
 - b. False
3. All drivers must have bodily injury liability insurance.
 - a. True
 - b. False
4. When you are evaluating your alternatives, you should consider the consequences and risks of each decision you make.
 - a. True
 - b. False
5. You can practice risk reduction by following safety rules.
 - a. True
 - b. False
6. Stock prices change throughout every business day.
 - a. True
 - b. False
7. Property damage liability insurance covers damage to the policyholder's vehicle.
 - a. True
 - b. False
8. Economic risk is the threat of a loss with no opportunity for gain.
 - a. True
 - b. False
9. The most popular residential property is the single-family house.
 - a. True
 - b. False
10. It is not necessary to sign your name exactly as it is written on the front of a check. You should sign your name as you always do even if the check is written incorrectly.
 - a. True
 - b. False

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Indicate the answer choice that best completes the statement or answers the question.

11. The cost of renters insurance depends on
 - a. the type of building.
 - b. the amount of coverage.
 - c. the location of the apartment.
 - d. all of the above
12. If your planned expenses and savings are more than your income, then
 - a. increase savings.
 - b. cut expenses.
 - c. increase expenses.
 - d. reduce savings.
13. Which statement is most true?
 - a. Investing is always unpredictable.
 - b. Successful investing is a matter of luck.
 - c. Investing is always very risky.
 - d. Investing presents opportunities for people and businesses to increase their income.
14. An important part of financial planning is to
 - a. maximize risk to maximize return.
 - b. minimize risk to minimize return.
 - c. understand which risks you can afford to take.
 - d. allow others to take the risk.
15. When making financial decisions, you can find information that will help you
 - a. on the Internet.
 - b. on corporate Web sites.
 - c. in finance-oriented newspapers and magazines.
 - d. all of the above
16. A financial responsibility law
 - a. makes insurance companies responsible for paying claims.
 - b. requires drivers to pay for any damages or injuries they cause in an accident.
 - c. makes the person responsible for the accident to pay all deductibles.
 - d. makes policyholders pay their premiums on time.
17. Wearing a seat belt in a car is an example of
 - a. risk avoidance.
 - b. risk reduction.
 - c. risk transfer.
 - d. risk retention.
18. Buying insurance protection is an example of
 - a. a controllable risk.
 - b. risk avoidance.
 - c. risk transfer.
 - d. risk retention.

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19. Housing choices are affected most strongly by
- location.
 - a person's needs and income.
 - the real estate market.
 - the sizes of the houses or apartments.
20. A good way to estimate your monthly expenses is to
- multiply your income by 80 percent.
 - keep a record of every amount you spend for one month.
 - ask your friends how much they spend.
 - ask your parents how much you should spend.
21. In regard to this chapter, a hedge is a
- bet.
 - means of protection against loss.
 - plant.
 - loss.
22. Which statement is most true?
- Budgeting is not necessary if you earn a lot of money.
 - Budgeting is not necessary if you only earn a little money.
 - Budgeting is a continual process.
 - Once your budget is prepared, no changes should be necessary.
23. A canceled check is
- a check that the payer no longer wants in circulation.
 - a check that the payee returned.
 - proof that a check has been paid to the payee.
 - the bank's attempt to close an account.
24. To finance a child's education, the best option would be to invest in
- a regular savings account.
 - a Series EE savings bond.
 - collectibles.
 - all of the above.
25. The best example of a long-term goal might be
- to finish high school.
 - to finish college.
 - to save enough money to pay for a vacation.
 - to save enough money to plan for retirement.
26. Which of the following is the best example of an insurable risk?
- someone with a good driving record seeking insurance for a car noted for its safety features
 - a home, built on a flood plain, that needs flood insurance
 - a business that has been robbed three times in two months
 - a home rebuilt after being destroyed by an earthquake

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27. Regular savings accounts
- a. have a penalty for early withdrawal.
 - b. offer a high interest rate.
 - c. generally require a minimum deposit to open an account.
 - d. charge a monthly service fee.
28. Terrorism is considered
- a. a controlled risk. b. an employee risk.
 - c. a liability risk. d. a natural risk.
29. Which of the following is *not* an example of opportunity cost?
- a. choosing to go to college or work full time
 - b. choosing to go to college and work part time
 - c. deciding whether to go to a family reunion or a concert
 - d. deciding whether to play varsity football or join the school band
30. Term life insurance
- a. lasts a lifetime.
 - b. exists for a specific period.
 - c. is more expensive than whole life.
 - d. is less expensive than whole life.

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Match each item with the correct statement below.

- a. real estate
- b. equity
- c. income property
- d. rental property
- e. undeveloped property
- f. diversify
- g. precious metals
- h. commodities exchange
- i. collectibles
- j. fraud

- 31. The crime of obtaining money or some other benefit by deliberate deception
- 32. Any type of dwelling unit or other property rented for a length of time
- 33. Items that appeal to collectors and investors
- 34. Land and anything attached to it
- 35. A place to buy contracts for quantities of a given commodity for delivery at a future date
- 36. Property used to generate income
- 37. The value of property less the amount still owed on the money borrowed to purchase it
- 38. Unused land intended only for investment purposes
- 39. Valuable ores such as silver, gold, and platinum
- 40. Vary investments in order to spread risk or to expand

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