

**Q-REV 4**

**Indicate whether the statement is true or false.**

1. Savings plans include regular savings accounts, certificates of deposit, and money market funds.
  - a. True
  - b. False
2. A regular checking account is designed for customers who keep a regular amount of money in it from month to month.
  - a. True
  - b. False
3. Because the depositor's money is not accessible until the maturity date, the interest rate on a CD is lower than that of a regular savings account.
  - a. True
  - b. False
4. If a check is made out to cash, it cannot be cashed because there is no one who can endorse it.
  - a. True
  - b. False
5. Corporations never put their financial situation on their Web site because they do not want their competitors or rivals to see it.
  - a. True
  - b. False
6. All drivers must have bodily injury liability insurance.
  - a. True
  - b. False
7. You cannot eliminate all risk, but you can reduce and manage it.
  - a. True
  - b. False
8. People should not think about retirement until they are in their 30s.
  - a. True
  - b. False
9. Property damage liability insurance covers damage to the policyholder's vehicle.
  - a. True
  - b. False
10. Treasury bills are sold in units of \$10,000.
  - a. True
  - b. False

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11. Personal risk is economic risk associated with damage to or loss of property due to theft, wind, fire, flood, or some other hazard.
  - a. True
  - b. False
12. Home ownership is considered a good investment because the return is generally greater than on investments such as stocks and bonds.
  - a. True
  - b. False
13. The type and amount of protection you have with an insurance policy depends on where you live.
  - a. True
  - b. False
14. Saving is not good for the economy because it takes money out of circulation.
  - a. True
  - b. False
15. Budgeting is a continual process.
  - a. True
  - b. False
16. Commercial properties are rented to families.
  - a. True
  - b. False
17. For most people, the most expensive form of health insurance is group health insurance.
  - a. True
  - b. False
18. 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
19. Vehicle insurance laws are federal laws and are uniform throughout the continental United States.
  - a. True
  - b. False
20. Stock prices change throughout every business day.
  - a. True
  - b. False
21. The two types of property you can insure are real property and personal property.
  - a. True
  - b. False

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22. A small amount invested regularly can add up to a large amount over time.
- a. True
  - b. False
23. There are usually three people, or parties, named on a check.
- a. True
  - b. False
24. If you decide a course of action is too risky, the chances are you'll reap huge profits so you should go with it.
- a. True
  - b. False
25. The most popular residential property is the single-family house.
- a. True
  - b. False
26. Health insurance policies usually include coverage for dental, vision, or mental health care.
- a. True
  - b. False
27. When you are evaluating your alternatives, you should consider the consequences and risks of each decision you make.
- a. True
  - b. False
28. The safest way to steer clear of collectibles-related fraud is for investors to learn everything they can about the items and to buy and sell only with reputable dealers.
- a. True
  - b. False
29. When corporations or governments need to borrow large amounts of money, they often issue bonds.
- a. True
  - b. False
30. Losses due to shoplifting are passed on to consumers through higher prices.
- a. True
  - b. False
31. Economic risk is the threat of a loss with no opportunity for gain.
- a. True
  - b. False
32. Everyone has different financial goals.
- a. True
  - b. False

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33. A life insurance policy may not have more than one beneficiary listed.
- a. True
  - b. False
34. A well-written will and investments are enough to provide for a family's future.
- a. True
  - b. False
35. Part of the premium for cash-value insurance pays for death benefits, and the rest builds up cash value like a savings account.
- a. True
  - b. False
36. You can practice risk reduction by following safety rules.
- a. True
  - b. False
37. Most banks offer several types of checking accounts.
- a. True
  - b. False
38. There are two types of bonds you can buy: federal government bonds and municipal bonds.
- a. True
  - b. False
39. Money market funds offered by brokerage firms are not federally insured.
- a. True
  - b. False
40. The grading of gems is an exact science and therefore should be sent for certification by an independent geological laboratory.
- a. True
  - b. False

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

41. Which statement is most true?
- a. People always make money in real estate.
  - b. Houses fluctuate in value.
  - c. A person can always sell a house at a higher price than he or she paid for it.
  - d. It is wisest to rent an apartment rather than buy a house.
42. Health-care costs may include
- a. coinsurance and copayments.
  - b. a medical expense fee.
  - c. life insurance.
  - d. individual liability.
43. A CD
- a. has a penalty for early withdrawal.
  - b. offers a high interest rate.
  - c. has a fixed rate for its duration.
  - d. all of the above
44. Which question is *not* considered as you prepare to set your financial goals?
- a. What do I want to accomplish in the next month?
  - b. Can I ask my employer for a raise to help me meet my financial goals?
  - c. What is important to me?
  - d. Are my financial goals practical?
45. A budget includes all of the following *except*
- a. your expected income.
  - b. your planned expenses.
  - c. how to increase your income.
  - d. planned savings.
46. 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
47. When you make a financial decision,
- a. there is always an enormous risk.
  - b. you accept some risk.
  - c. there is usually no risk because you have done a lot of research.
  - d. there should be no need to ever change it.
48. Which statement is true?
- a. Writing your Social Security number on your check is okay for identity purposes.
  - b. Lost deposit slips allow someone else to put money into your checking account.
  - c. Leaving your checkbook in an unlocked car is risking theft.
  - d. Your bank statements are generated by your transactions, so there is no need to review them.

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49. The term *economic risk* includes all of the following except
- a. controllable risk.      b. personal risk.
  - c. liability risk.      d. property risk.
50. Money market funds
- a. are checking accounts that allow account holders to write an unlimited number of checks.
  - b. have fixed interest rates.
  - c. have a penalty for early withdrawal.
  - d. require high balances.
51. The amount of money you save depends on
- a. where you live.
  - b. the bank you use.
  - c. the amount of money you are willing not to spend.
  - d. all of the above
52. Homeowners policies offer protection from
- a. fire.      b. riots.
  - c. civil commotion.      d. all of the above
53. Which of the following is the best example of an insurable risk?
- a. someone with a good driving record seeking insurance for a car noted for its safety features
  - b. a home, built on a flood plain, that needs flood insurance
  - c. a business that has been robbed three times in two months
  - d. a home rebuilt after being destroyed by an earthquake
54. In regard to this chapter, a hedge is a
- a. bet.      b. means of protection against loss.
  - c. plant.      d. loss.
55. A house is considered
- a. real property.      b. personal property.
  - c. community property.      d. family property.
56. 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
57. Multi-unit housing includes all of the following *except*
- a. a very large cabin with three bedrooms.
  - b. a duplex.
  - c. a condominium.
  - d. a townhouse.

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58. 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.
59. Buying insurance protection is an example of
- a. a controllable risk.
  - b. risk avoidance.
  - c. risk transfer.
  - d. risk retention.
60. Insurance on a rental car would be included in what provision of an insurance policy?
- a. liability coverage
  - b. miscellaneous coverage
  - c. comprehensive coverage
  - d. none of the above
61. The FDIC
- a. is a government agency.
  - b. only insures regular savings accounts in savings and loan associations.
  - c. will replace depositors' accounts for up to \$50,000 if a bank fails.
  - d. also insures money market funds offered by brokerage firms.
62. The best example of a long-term goal might be
- a. to finish high school.
  - b. to finish college.
  - c. to save enough money to pay for a vacation.
  - d. to save enough money to plan for retirement.
63. Securities include
- a. bonds.
  - b. shares of stocks and mutual funds.
  - c. stock options.
  - d. all of the above
64. An endorsement is
- a. the signature of the drawer on the front of a check.
  - b. affidavit verifying that the check won't bounce.
  - c. signature of the payee on the back of a check.
  - d. a statement from a third party about the character of an account holder.
65. Which statement is most true?
- a. All risks can be avoided with proper planning.
  - b. Some investments have no risks.
  - c. All people and businesses make decisions that create risk.
  - d. Gold is a no-risk investment.

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66. 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.
67. An example of risk retention might be
- a. keeping an expensive car in a garage and not driving it.
  - b. not selling unpopular items.
  - c. driving an expensive car on a daily basis.
  - d. leaving expensive jewelry locked in a safe.
68. Common stock
- a. yields the highest rate of return.
  - b. is stock that receives cash dividends before other stockholders receive any.
  - c. provides the most basic form of corporation ownership.
  - d. is stock that does not pay dividends.
69. Medical costs
- a. are too expensive for most people to pay for them on their own.
  - b. have stayed the same.
  - c. have decreased.
  - d. none of the above
70. When reconciling your checking account,
- a. add any outstanding checks to your statement balance.
  - b. subtract any outstanding checks from your statement balance.
  - c. subtract any outstanding deposits from your statement balance.
  - d. add service fees from the balance in your check register.
71. Municipal bonds are sold to finance
- a. city projects.
  - b. town projects.
  - c. regional projects.
  - d. all of the above
72. Something that may possibly cause a loss is a
- a. peril.
  - b. risk.
  - c. hazard.
  - d. all of the above
73. Wearing a seat belt in a car is an example of
- a. risk avoidance.
  - b. risk reduction.
  - c. risk transfer.
  - d. risk retention.



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74. Because they have low risk, government bonds
- a. offer lower interest rates than other bonds.
  - b. offer higher interest rates than other bonds.
  - c. offer lower interest rates than savings accounts.
  - d. are taxable.
75. With saving and investing the relationship between rate of return and risk is
- a. high risk, low return.
  - b. high risk, high return.
  - c. low risk, high return.
  - d. none of the above.
76. Insurance costs include
- a. deductibles.
  - b. premiums.
  - c. claims.
  - d. all of the above
77. If your planned expenses and savings are more than your income, then
- a. increase savings.
  - b. cut expenses.
  - c. increase expenses.
  - d. reduce savings.
78. Terms associated with the risk of computer crimes include
- a. hackers.
  - b. worms.
  - c. viruses.
  - d. all of the above
79. When estimating income for your budget, you should consider
- a. gross pay.
  - b. take-home pay.
  - c. retirement contributions.
  - d. getting an income tax refund.
80. To retire comfortably, most people rely on
- a. Social Security.
  - b. retirement plans.
  - c. savings.
  - d. all of the above

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**Match each item with the correct statement below.**

- a. life insurance
- b. proceeds
- c. beneficiary
- d. cash-value insurance
- e. term insurance
- f. coinsurance
- g. health maintenance organization (HMO)
- h. preferred provider organization (PPO)
- i. Medicare
- j. Medicaid

- 81. The value of a life insurance policy paid to the survivors
- 82. A group of doctors and hospitals that agree to provide specified medical services to members at prearranged fees
- 83. The U.S. government's major health insurance program for the elderly
- 84. Insurance that provides both savings and death benefits
- 85. Someone who receives part of the proceeds from a life insurance policy
- 86. insurance that covers a person for a specific period of time
- 87. A federally and state-funded health-care plan for people who are unable to pay for insurance or health care
- 88. A health insurance organization that provides health care at its own health center for a fixed fee per month
- 89. A percentage of medical expenses that a policyholder must pay beyond the deductible
- 90. Insurance that is paid to a person or people designated to receive the funds when the insured person dies

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**Match each item with the correct statement below.**

- a. risk management
- b. uninsurable risk
- c. controllable risk
- d. economic risk
- e. natural risk
- f. pure risk
- g. premium
- h. peril
- i. hazard
- j. insurance policy

- 91. Risk that occurs when there is likelihood of economic loss
- 92. The systematic process of managing risk to achieve one's objectives
- 93. The price an insured person or business pays for insurance protection for a specified period of time
- 94. Anything that may possibly cause a loss
- 95. Threat of loss with no opportunity for gain
- 96. Risk that occurs when conditions can be controlled to minimize the chance of harm
- 97. The possibility of a catastrophe caused by flood, tornado, hurricane, fire, lightning, drought, or earthquake
- 98. Anything that increases the likelihood of loss through peril
- 99. A contract between a person and an insurance company to cover a specific risk
- 100. Risk that is unacceptable to insurance carriers because the likelihood of loss is too high

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**Match each item with the correct statement below.**

- a. savings
- b. rate of return
- c. compound interest
- d. regular savings account
- e. certificate of deposit (CD)
- f. maturity date
- g. money market fund
- h. money market deposit accounts
- i. liquidity
- j. inflation risk

101. A bank account that allows account holders to deposit or withdraw money at any time and to earn interest on the funds

102. Money saved

103. The risk that the rate of inflation will increase more than the rate of interest on savings

104. A kind of mutual fund, or pool of money

105. The ability to quickly turn an investment into cash

106. Requires a deposit of a specified amount of money in an account for a set period of time

107. Money market funds offered by banks, savings and loans, and credit unions

108. The date when money deposited into a certificate of deposit becomes available to the account holder

109. A measure of earnings on savings, or yield

110. Interest earned on both principal and any interest earned on the principal

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**Match each item with the correct statement below.**

- a. actual cash value
- b. depreciation
- c. compulsory insurance law
- d. no-fault insurance
- e. deductible
- f. standard fire policy
- g. extended coverage
- h. homeowners policy
- i. rider
- j. replacement value

111. Insurance that allows drivers involved in accidents to collect damages from their own insurer no matter who is at fault

112. The value of an asset when it was new minus depreciation

113. Insurance that covers damage to property and personal property, additional living expenses if a home is destroyed, and liability protection

114. The full cost of repairing or replacing damaged or destroyed property, regardless of its depreciation value

115. An addition to a policy that covers specific property or damages

116. Insurance against damage due to fire or lightning

117. An amount in damages a policyholder must pay before the insurance company pays a claim

118. A law that requires drivers to have a minimum amount of car insurance

119. The decline in the value of an asset

120. The addition of other types of protection to a basic standard fire policy

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Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

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**Answer Key**

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

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26. False

27. True

28. True

29. True

30. True

31. False

32. True

33. False

34. False

35. True

36. True

37. True

38. False

39. True

40. False

41. b

42. a

43. d

44. b

45. c

46. d

47. b

48. c

49. a

50. d

51. c

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52. d

53. a

54. b

55. a

56. b

57. a

58. b

59. c

60. b

61. a

62. d

63. d

64. c

65. c

66. b

67. c

68. c

69. a

70. b

71. d

72. d

73. b

74. a

75. b

76. d



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77. b

78. d

79. b

80. d

81. b

82. h

83. i

84. d

85. c

86. e

87. j

88. g

89. f

90. a

91. d

92. a

93. g

94. h

95. f

96. c

97. e

98. i

99. j

100. b

101. d

102. a

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

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103. j

104. g

105. i

106. e

107. h

108. f

109. b

110. c

111. d

112. a

113. h

114. j

115. i

116. f

117. e

118. c

119. b

120. g