

Description of Personal Financial Concepts—ML:

The written objective test may include questions on financial principles related to personal decision making, earning a living (income/taxes), managing budgets and finance, saving and investing, buying goods and services, banking, credit, and insurance, and consumer math.

PERSONAL FINANCIAL CONCEPTS—ML STUDY GUIDE CREATED BY ADVISERS

- 1 Retirement income paid by a company is called:
A) Rents and profits.
B) Social Security.
C) 401(k)
D) Pension.
- 2 A _____ is the time given to pay your credit card bill without incurring finance charges.
A) Time line
B) Time Frame
C) Grace Period
D) Overtime Pay
- 3 The maximum credit amount that can be used on your credit card is called:
A) Boundary
B) Credit Limit
C) Peak Limit
D) Ceiling Price
- 4 The least amount of money that you should pay on or before your due date is called:
A) Interest charge
B) Minimum Payment
C) Total Payment
D) Outstanding Balance
- 5 A tax credit reduces your
A) taxable income
B) Tax refund
C) Tax Liability
D) Adjusted Gross Income
- 6 Gross income is the amount of income from wages or salary
A) that the person can actually spend
B) before bonuses are added in
C) after payroll deductions
D) before payroll deductions

- 7 Which of the following accounts is the MOST liquid?
- A) Saving Account
 - B) Certificate of Deposit
 - C) Checking Account
 - D) Money Market Account
- 8 The federal government guarantees the safety of savings accounts through the
- A) IRS.
 - B) FDIC.
 - C) IPO.
 - D) ABA.
- 9 A tax credit reduces your
- A) Taxable income
 - B) Tax refund
 - C) Tax liability
 - D) Adjusted gross income
- 10 A statement of an employee's prior year's earnings, sent to the employee by the employers, is called a:
- A) Form W-2
 - B) Form 1040
 - C) Form W-9
 - D) Form 1040E-Z
- 11 You must file your federal income tax return by:
- A) January 31
 - B) December 31
 - C) January 1
 - D) April 15
- 12 Gross income is the amount of income from wages or salary
- A) That the person can actually spend
 - B) Before bonuses are added in
 - C) After payroll deductions
 - D) Before payroll deductions
- 13 The money you make at your job day after day, week after week, is called
- A) Unearned income
 - B) Earned income
 - C) Disposable income
 - D) Limited income
- 14 A _____ is a plan for how you will spend your money.
- A) Paycheck
 - B) Cash Journal
 - C) Credit Card
 - D) Budget

15 When items such as a house or land become more valuable over time, they are said to _____.

A) Appreciate
 B) Appropriate
 C) Depreciate
 D) Negotiate

16 A health insurance program that is funded by taxes and run by the federal government is known as

A) FICA
 B) State tax
 C) Unemployment tax
 D) Medicare

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	A)	
	B)	
	C)	
	D)	
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	A)	

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	C)	
	D)	

- 29 Which of the following is the most liquid asset?
- A) A \$20 bill
 - B) A 401k plan
 - C) A money market account
 - D) A checking account

- 30 Which of the following defines social security taxes?
- A) A tax for providing retirement benefits.
 - B) A tax for medical insurance for those citizens that qualify.
 - C) A tax that provides long-term care for the elderly.
 - D) A tax that provides capital gains income for those who qualify.
- 31 A document that an employee fills out indicating what level taxes should be withheld from his or her check is called:
- A) Form 1040
 - B) Form W-9
 - C) Form W-4
 - D) Form W-2
- 32 Taxes must be filed to the state and federal governments each year by what date?
- A) January 1
 - B) March 31
 - C) April 15
 - D) December 31
- 33 Sales tax is an example of which type of tax?
- A) Proportional
 - B) Progressive
 - C) Excise
 - D) Regressive
- 34 What is the statement of an employee's prior year's earning?
- A) Form W-9
 - B) Form 1040EZ
 - C) Form W-2
 - D) Form 1040
- 35 How long should copies of your completed tax returns be kept?
- A) Until the IRS accepts your notice
 - B) At least 7 years
 - C) Until you file your next year's taxes
 - D) Until January 1 of the next year
- 36 What kind of card is used for ATM transactions?
- A) Credit
 - B) Store
 - C) Debit
 - D) Gift
- 37 Entrepreneurship is the process of:
- A) having more than one person involved in the operation of a business
 - B) making a lot of money from a small investment
 - C) developing an idea for a new product that is not eligible for a patent
 - D) starting, organizing, managing, and assuming the responsibility for a business

- 38 A tax credit reduces your
A) tax liability.
B) taxable income
C) tax refund.
D) adjusted gross income
- 39 You must file your federal income tax return by
A) January 1
B) April 15
C) December 31
D) February 1
- 40 The two basic elements of the budget are
A) Taxes and expenses
B) excess income and fixed expenses
C) income and taxes
D) income and expenses
- 41 Those things that one wants to accomplish are called financial
A) wants.
B) values.
C) goals.
D) needs.
- 42 Life-enhancing wants include all of the following EXCEPT:
A) travel
B) education
C) water
D) gadgetry
- 43 Which of the following is money paid by one former spouse to support the other?
A) divorce decree
B) property settlement
C) child support
D) alimony
- 44 Ideally, retirement planning should begin
A) when you receive your first paycheck
B) when the mortgage is paid off
C) one year before retirement
D) when the last child has left home
- 45 What is the ease at which an investment can be turned into cash without losing its value?
A) liquidity
B) savings
C) investment

D) stocks

46 What is the storage of money for future use?

- A) purchases
- B) liquidity
- C) savings
- D) stocks

47 What is an asset?

- A) Anything of value that usually grows in value.
- B) An expense or cost of living item.
- C) Things that decrease in value.
- D) Liabilities or debt.

48 What is a liability?

- A) Things that you owe such as debt.
- B) Things that decrease in value.
- C) A credit card can be a liability
- D) A house.

Personal Finance Study Guide Created by Advisers ANSWER KEY								
1		D		21	D		41	C
2		C		22	C		42	D
3		B		23	A		43	C
4		B		24	B		44	A
5		C		25	B		45	A
6		D		26	B		46	C
7		C		27	D		47	A
8		B		28	C		48	C
9		C		29	A			
10		A		30	A			
11		D		31	C			
12		D		32	C			
13		B		33	A			
14		D		34	C			
15		A		35	B			
16		D		36	C			
17		B		37	D			
18		D		38	A			
19		A		39	B			
20		D		40	D			

