

Exam

Name _____

Chapter 2

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Money coming in is called:

- A) Gross amount
- B) Expense
- C) Income
- D) All of the above
- E) None of the above

2) Money going out is:

- A) Income
- B) Gross pay
- C) Expense
- D) All of the above
- E) None of the above

3) Income can come from:

- A) Working
- B) Student loans
- C) Parents
- D) All of the above
- E) None of the above

4) Personal financial management will:

- A) Make reaching goals more difficult
- B) Begin when you get your dream job
- C) Restrict your activities
- D) All of the above
- E) None of the above

5) If you do not have your personal finances under control, it may cause:

- A) Irresponsibility
- B) Stress
- C) Reduced performance
- D) All of the above
- E) None of the above

6) To start budgeting you can:

- A) Put a coffee maker in your office instead of buying coffee
- B) Start saving a small amount each week
- C) Bring a bagged lunch from home instead of buying lunch at a restaurant
- D) All of the above
- E) None of the above

7) Practicing good financial management while still in college benefits you because:

- A) Budgets keep you focused and eliminate waste
- B) You will most likely be earning more money once you complete your education
- C) Poor credit decisions will haunt you in the future
- D) All of the above

- 8) The practice of good financial management includes:
- A) Developing good saving habits
 - B) Creating good spending habits
 - C) Practicing the wise use of credit
 - D) All of the above
- 9) A financial plan:
- A) Should be developed prior to your personal goals
 - B) Should include short-term and long-term goals
 - C) Is a result of your career success
 - D) All of the above
- 10) Start managing your money:
- A) After you have worked in your dream job for a year
 - B) After you get married
 - C) After you finish college
 - D) All of the above
 - E) None of the above
- 11) A _____ is a detailed financial plan for a specific period of time.
- A) Income statement
 - B) Investment strategy
 - C) Pay check
 - D) Savings plan
 - E) Budget
- 12) The key to good budgeting is:
- A) Saving
 - B) Cash management
 - C) Investing
 - D) All of the above
 - E) None of the above
- 13) When creating a budget, use your:
- A) Net income
 - B) Taxes
 - C) Miscellaneous income
 - D) All of the above
 - E) None of the above
- 14) An example of a fixed expense is:
- A) Clothing costs
 - B) Food costs
 - C) Rent
 - D) All of the above
 - E) None of the above
- 15) When creating your budget, use:
- A) Money left after taxes and deductions
 - B) Money you saved from working
 - C) Money you get from your parents
 - D) All of the above

E) None of the above

16) Money wasters include:

- A) Toothpaste
- B) Groceries
- C) Rent
- D) All of the above
- E) None of the above

17) Flexible expenses may include:

- A) Clothing
- B) Utilities
- C) Food
- D) All of the above
- E) None of the above

18) Knowing your expenses:

- A) Provides money for money wasters
- B) Help you keep track of your spending
- C) Helps you identify your gross total income
- D) All of the above

19) The best way to stay out of the debt hole is to:

- A) Never get a credit card
- B) Get a credit card, but never use it
- C) Get a credit card, and use it when needed
- D) Get a credit card, but carefully manage its use and repayment

20) If you find yourself in a credit hole:

- A) Skip making payments until you can afford to pay off your bill
- B) Make late payments only on your largest debt
- C) Take out a loan to pay off your debt
- D) None of the above

21) If you have a credit card:

- A) Pay it off each month
- B) Spend wisely
- C) Use it as a tool to gain good credit
- D) All of the above
- E) None of the above

22) If you find yourself in a credit hole, it is better to:

- A) Keep buying
- B) Stop making payments
- C) Not worry about late payments
- D) All of the above
- E) None of the above

23) When applying for credit, lenders will consider your:

- A) Capacity
- B) Collateral
- C) Character

- D) All of the above
- E) None of the above

24) Some issues to watch for when applying for a loan are:

- A) Hidden costs
- B) Payment deadlines
- C) Interest rates
- D) None of the above
- E) All of the above

25) A(n) _____ is money you owe.

- A) Bill
- B) Debt
- C) Expense
- D) All of the above
- E) None of the above

26) _____ is the amount of money that is yours after paying off debt.

- A) Liability
- B) Assets
- C) Expenses
- D) All of the above
- E) None of the above

27) An example of a personal asset is a:

- A) Job
- B) Paycheck
- C) Car
- D) All of the above
- E) None of the above

28) Steps toward getting out of debt include:

- A) Using your credit card wisely
- B) Paying other loans with the money from a paid-off loan
- C) Prioritizing what you owe
- D) All of the above
- E) None of the above

29) A credit report may include:

- A) Previous addresses
- B) Previous employers
- C) Previous names
- D) All of the above
- E) None of the above

30) The way to build good credit is to:

- A) Secure a credit card, but never use it
- B) Pay off the credit card in full, each month
- C) Purchase unnecessary items
- D) All of the above

31) Debt:

- A) Is the amount of money that is yours after paying off both assets and liabilities
- B) Includes tangible items that are worth money
- C) Is the cost of borrowing money
- D) None of the above

32) Steps toward getting out of debt include:

- A) Pay off your bill with the smallest interest first
- B) Purchase only low cost items on a credit card
- C) After you pay off a loan, reward yourself by spending a small amount of cash
- D) None of the above

33) Credit reports:

- A) Only report credit history under your current name
- B) Only report payments that were made on time
- C) Can only be secured without your permission
- D) Show any liens, foreclosures, or bankruptcies

34) A FICO score:

- A) Is a common credit rating system
- B) Is only issued through banks
- C) Is a type of credit report
- D) None of the above

35) With a FICO score:

- A) The higher your FICO score, the better your credit
- B) The higher your FICO score, the worse your credit
- C) The lower your FICO score, the better your credit
- D) None of the above

36) The three credit reporting agencies include:

- A) Lehman Brothers, Equifax, and Merrill Lynch
- B) TransUnion, Equifax, and Lehman Brothers
- C) Equifax, Merrill Lynch, and Experian
- D) Equifax, Experian, and TransUnion

37) You are entitled to a copy of your credit report:

- A) Once every twelve months from each agency for free
- B) Whenever you are denied credit
- C) Both A and B
- D) none of the above

38) Your savings account:

- A) Should contain at least five months' income
- B) Should have approximately 5% of your paycheck contributed to it each month
- C) Both A and B
- D) None of the above

39) Investments:

- A) Are the same as savings
- B) Should be a priority when receiving a paycheck
- C) Both A and B
- D) None of the above

- 40) When starting a savings plan:
- A) Have at least five months' income saved for emergencies
 - B) Wait until you have acquired your career job
 - C) Save only in months where you have extra income
 - D) All of the above
 - E) None of the above
- 41) To prevent identity theft:
- A) Provide personal information over the Internet
 - B) Dispose of junk mail properly
 - C) Sign up for credit card and marketing lists
 - D) All of the above

TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

- 42) The process of controlling your income and expenses is known as banking.
- 43) An example of income is money that comes from a student loan.
- 44) An example of an expense is rent.
- 45) Do not start a savings and investment plan until you get a good paying job.
- 46) Personal financial management will not affect your work situation.
- 47) Many employers believe that if you cannot control your personal finances you may not be a responsible employee.
- 48) Your goals are supported by your finances.
- 49) Personal financial management is important in your career and work performance.
- 50) As your income increases, your expenses will decrease.
- 51) If you do not manage your finances, you probably will eventually experience stress at home and work.
- 52) Goals are not supported by your finances.
- 53) Financial success begins with discipline and planning.
- 54) The key to good budgeting is cash management.
- 55) It is important that you start a budget as soon as possible.
- 56) Net income is the amount of your paycheck after your employer takes out all taxes and deductions.
- 57) Flexible expenses are more easily identified than fixed expenses.
- 58) Once you complete your first budget, you should not adjust it.
- 59) Expenses that do not change from month to month are referred to as flexible expenses.

- 60) It is better to average flexible expenses than to try to determine which months may be more or less.
- 61) The first step toward creating a budget is to identify goals.
- 62) It is best to set up a budget on a yearly basis.
- 63) It is important to have a miscellaneous category in your budget because you will use it frequently.
- 64) It is important that you make your first budget perfect.
- 65) Having good credit will help you buy large items at a lower interest rate.
- 66) The best way to stay out of the debt hole is to manage your credit.
- 67) A credit card can be used as a tool for creating good credit.
- 68) If you find yourself in a credit hole, only make the minimum monthly payment until you are out of debt.
- 69) You should never take out a loan.
- 70) Interest is the total cost you will pay when taking out a loan.
- 71) The telephone bill you pay each month would be considered a liability.
- 72) Your car loan is an example of a liability.
- 73) There are non-profit counseling services available to help you get out of debt.
- 74) Credit reports include all personal information about your family in addition to a detailed credit history.
- 75) Credit reports include all personal identification information.
- 76) You will be able to save without sacrificing other spending if you set up a budget.
- 77) You should keep your savings hidden in a safe place at home.
- 78) An automatic deduction plan helps your savings plan because your money is automatically deducted from your paycheck.
- 79) Investments for the future should begin now.
- 80) All junk mail should immediately be thrown into the garbage can.
- 81) If you are the victim of identity theft, change your social security number.
- 82) It is important to keep a copy of your driver's license, social security number, and all credit information in a secure location at home.
- 83) If you are careful with your private information, you do not have to worry about identity theft.

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

- 84) _____ is the process of controlling your income and expenses.

- 85) A(n) _____ is money going out.
- 86) A(n) _____ is a detailed financial plan for a specific time period.
- 87) _____ is the amount of money in your paycheck before taxes or other deductions are made.
- 88) _____ are expenses that do not change from month to month.
- 89) _____ is the cost of borrowing money.
- 90) _____ is money you owe.
- 91) _____ is the amount of money that is yours after paying off debt.
- 92) _____ are tangible items that you owe that are worth money.
- 93) A(n) _____ is a debt that you owe.
- 94) A(n) _____ is a detailed credit history on an individual.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

95)

Explain what is involved in personal financial management.

1. C
2. C
3. D
4. E
5. D
6. D
7. D
8. D
9. B
10. E
11. E
12. D
13. A
14. C
15. D
16. E
17. D
18. B
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20. D
21. D
22. E
23. C
24. E
25. B
26. E
27. C
28. D
29. D
30. B
31. D
32. A
33. D
34. A
35. A
36. D
37. A
38. C
39. D
40. A
41. B
42. FALSE
43. TRUE
44. TRUE
45. FALSE

46. FALSE
47. TRUE
48. TRUE
49. TRUE
50. FALSE
51. TRUE
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79. TRUE
80. FALSE
81. FALSE
82. TRUE
83. FALSE
84. Personal financial management
85. Expense
86. Budget
87. Gross income
88. Fixed expenses
89. Interest
90. Debt
91. Net worth
92. Assets
93. Liability

94. FICO score

95. Since personal financial management is the process of controlling personal income and expenses, it includes budgeting, managing credit, reducing/eliminating debt, and keeping track of your credit scores.