

# Chapter Assessment

A Big

## Section 1 — Multiple Choice

1. \_\_\_\_\_ refers to all the money decisions a person or family must make in order to earn, budget, save, and spend money over time. These choices involve planning for emergencies and for the future.
  - a. Personal Finance
  - b. Financial Aid
  - c. Home Finance
  - d. Cash Flow Statement
2. Personal finance is \_\_\_\_\_ behavior and \_\_\_\_\_ knowledge.
  - a. 50% behavior and 50% knowledge.
  - b. 80% behavior and 20% knowledge.
  - c. 30% behavior and 30% knowledge.
  - d. 20% behavior and 80% knowledge.
3. A liability can be described as:
  - a. Money you owe; a debt
  - b. Something you own that has value
  - c. Something that goes up in value
  - d. Money that you have in a savings account
4. A measurement of the total dollar value of a person's worth minus bills is called their
  - a. Gross worth
  - b. Net worth
  - c. Earnings
  - d. Income
5. The First Foundation is:
  - a. Save a \$500 emergency fund
  - b. Get out of debt
  - c. Pay yourself first
  - d. Build wealth and give
6. It is impossible to save money when you have a small income.
  - a. True
  - b. False
7. Staying away from car payments by driving reliable used car is what the typical millionaire does.
  - a. True
  - b. False
8. When you buy things with cash, you will pay more for the item over time.
  - a. True
  - b. False
9. Helpful hints that will lead towards Financial Peace:
  - a. Sink away your first hourly wage into a Mutual Fund.
  - b. Stay out of debt so your money works for you.
  - c. Make saving automatic so that you don't talk yourself out of saving for your future.
  - d. Spend your money by knowing the difference between wants and needs.
  - e. All of the above
10. The condition of having unlimited wants but limited resources is known as:
  - a. Immaturity
  - b. Scarcity
  - c. Leaky wallet syndrome
  - d. All of the above
11. Which of the following allows invested money to grow over time?
  - a. Compound interest
  - b. Consolidating
  - c. Cosigning
12. A plan for spending is called a(n):
  - a. Checking account
  - b. Budget
  - c. Compound Interest
  - d. Scarcity
13. Fees that a bank, credit card, or other lender charges for the opportunity to purchase something and pay for it over time is called:
  - a. Interest
  - b. Dividend
  - c. Credit
  - d. Credit Score
14. Car loans are just a way of life. How else would you ever be able to purchase a new car?
  - a. True
  - b. False
15. The FICO score or Credit Score measures all of the following *except*:
  - a. Savings
  - b. Debt history
  - c. Types of debt
  - d. Potential for new debt

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16. Which of the following describes the best way to buy a car?
  - a. Save up and pay cash
  - b. Ask your parents to borrow money for the purchase
  - c. Save up a nice down payment and finance the remaining cost of the car
  - d. Allow your grandparents to cosign your loan for a new car
17. On average, over 70% of college students graduate with student loan debt.
  - a. True
  - b. False
18. A person's take-home pay is known as your
  - a. minimum wage
  - b. net earnings
  - c. gross earnings
  - d. interest
19. Ben & Arthur's saving habits illustrate the advantage of which principle of saving?
  - a. Compound interest
  - b. Murphy's Law
  - c. Sink Funds
  - d. Simple Interest
20. The widespread financial insecurity of Americans is primarily because:
  - a. The income of Americans is low.
  - b. Americans spend more than they earn.
  - c. Americans save too much.
  - d. The government doesn't help people enough.
21. Buying things with a credit card results in more spending versus paying with cash
  - a. True
  - b. False
22. You should save for the following:
  - a. Emergency fund.
  - b. purchases
  - c. Wealth Building
  - d. Your Future Self
  - e. all of the above
23. Food, shelter, gas and electric are my most important bills and then I'll save for my "future self."
  - a. True
  - b. False
24. Which of the following is a consequence of spending more than you make?
  - a. A cycle of debt
  - b. Missed opportunities to save and invest
  - c. A need to work pay check to pay check.
  - d. All of the above
25. What is the reason that debt is bad?
  - a. You pay interest into a cycle of debt.
  - b. You get to spend your more than you earn
  - c. It takes away money that could be used to invest and build wealth.
  - d. All of the above
26. A fee paid by you the borrower to the lender or bank for the use of borrowed money is called:
  - a. Savings
  - b. Interest
  - c. Sink Fund
  - d. Mortgage
  - e. All of the above
27. Your income alone does not determine wealth because
  - a. money you earn does not decide how much you can save
  - b. investing is the only factor that contributes to wealth.
  - c. income alone determines a person's wealth.
  - d. The habit of natural savers can only contribute to wealth.
28. Which of the following would be a good reason to pull money out of your emergency fund?
  - a. I dropped my phone in the toilet.
  - b. I forgot that there was a fee for a test I have to take in order to get into college.
  - c. The jeans that I really want are on sale this week, but I don't have enough money on hand to get them.
  - d. My friend needs to borrow money from me so that she can go to the concert with us this weekend.

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## Section 2 — Short Answer

Directions: Write a complete response to each question in the space provided.

29. Why is it better to buy a used car instead of a brand new vehicle?

30. How can lending money cause problems in a relationship?

31. Lucy has been out of school for two years, has a good job and recently got a raise. She is excited about investing and always puts part of her check into savings. Although she has \$6,500 in debt left to pay, she is making more than minimum payments and should be debt free in 15 months. Should she continue to save or pay off her debts? Justify your answer.

32. Any money set aside for five years or less, including your emergency fund, is considered \_\_\_\_\_. Money set aside for more than five years is considered an \_\_\_\_\_.

Explain this statement: