Chapter 10 Money Management

LO1 Evaluate your money management habits.

1. Which is the best definition of a subconscious influence on your money management?
   a) an influence you create with analyses and logic
   b) an influence you are not aware of *
   c) an influence you develop through information literacy and logic
   d) an influence that is represented by a utility bill

   A subconscious factor is one you are not aware of. You may start out managing money just like your parents. Or you may spend money because you are influenced by the emotional appeals made by friends or by advertisements. Advertisers play on individual insecurities to create a need for the products that they are promoting.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Evaluate your money management habits.
Topic: Evaluate your money management habits.
MSP: 4

2. What is the best description of a conscious influence on your money management?
   a) a specific decision based on critical thinking*
   b) a habitual stop to buy coffee and a muffin on your way to class
   c) an impulse purchase based on subconscious factors
   d) a specific decision based on emotional appeals within advertising

   A conscious influence on money management is based on specific decisions you make about money management. For example, you may want to buy tickets to a concert. You only have enough money for practical needs, like groceries and your rent, so you decide to skip the concert.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Evaluate your money management habits.
Topic: Evaluate your money management habits.
MSP: 5

3. Why is it important to understand money management before you leave school and start working in your career?
   a) Your employer will be impressed if you understand money management.
   b) You'll need a spending plan to help you pay your bills on time.
   c) Your career may involve money management.
   d) You'll need money management skills at home and at work. *

   When you start earning a paycheck, you'll need to understand money management so that you can pay your personal bills, plan for vacations, and save for the future. At work, your managers will be impressed if you understand how the company uses money management to make spending decisions. You may even be responsible for managing a budget and making spending decisions.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Evaluate your money management habits.
Topic: Evaluate your money management habits.
MSP: 5

LO2 Explain how the time spent for earning a paycheck correlates to your spending decisions.

4. How can you use your pay stub to determine your hourly rate after the company deducts for taxes and other required fees?
   a) Divide your net pay by the number of hours you worked that pay period *
   b) Divide your gross pay by the number of hours you worked that pay period
   c) Divide your total earnings to date by the number of hours you worked that pay period
   d) Divide your net earnings to date by the number of hours you worked that pay period.

   If your paystub does not show an hourly rate, you can calculate it by dividing your net pay (the money you take home) by the number of hours you worked that period.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Evaluate your money management habits.
Topic: Evaluate your money management habits.
MSP: 8

5. One of your friends just got an expensive pair of gym shoes and thinks you should buy a pair too. You have a part-time job, but can you afford the shoes?
   a) Divide your pay check by the price of the shoes and then decide if you can cut back on other expenses, like food or rent.
   b) Ask your friend to loan you the money.
   c) Divide the price of the shoes by your hourly rate and then decide if you want to work that number of hours to buy a pair of gym shoes. *
   d) Go shopping online to see if you can find a better price.

   Knowing how many hours you'll need to work for an item can help you make a conscious spending decision.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain how the time spent for earning a paycheck correlates to your spending decisions.
Topic: Evaluate your money management habits.
MSP: 8

6. What are some strategies for making your money go further?

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   You can look for sales or free shipping that will reduce the actual purchase price. You can do comparison shopping on the web and at local stores. You can skip extra expenses, like an extended warranty that costs more than the original purchase. Or you may save up for a special purchase, like a vacation. For example, some people put their loose change in a special piggy bank at the end of the day.

Blooms: Apply
Difficulty: 1 Easy
Learning Objective: Explain how the time spent for earning a paycheck correlates to your spending decisions.
Topic: Evaluate your money management habits.
MSP: 8

7. You pay your car insurance every six months. How can you determine your monthly expense for car insurance?
   a) Divide your car insurance payment by six. *
   b) Divide your car insurance payment by eight.
   c) Divide your total car expenses by six.
   d) Divide your car insurance by six and then add ten percent.

   Car insurance is one example of a bill that is usually paid every six or 12 months. It is easier to plan a monthly budget if you work with monthly expenses. If you pay your insurance every six months, divide the bill by six to find the monthly expense. If you pay your insurance annually, divide the bill by 12.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain how the time spent for earning a paycheck correlates to your spending decisions.
Topic: Evaluate your money management habits.
MSP: 10

8. Which is the best definition of a fixed expense?
   a) An expense that goes up or down every month.
   b) An expense does not change from month to month. *
   c) An expense for paying down student loans.
   d) An expense that you can skip every other month.

   A fixed expense does not change from month to month. Good examples are your rent or car payment.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain how the time spent for earning a paycheck correlates to your spending decisions.
Topic: Evaluate your money management habits.
MSP: 11

9. Which is the best definition of a flexible expense?
    a) An expense that can go up or down every month. *
    b) An expense that does not change from month to month.
    c) An expense you can skip every other month.
    d) An expense you can set aside for emergencies.

    A flexible expense can go up or down every month. For example, your electricity bill may vary every month. Or if you are near the end of the month, you may look for ways to save money on your groceries or cut back on your entertainment expenses.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain how the time spent for earning a paycheck correlates to your spending decisions.
Topic: Evaluate your money management habits.
MSP: 11

10. Which is the best definition of a savings plan?
    a) money you use to pay fixed expenses on an annual basis
    b) money you set aside for unanticipated expenses or paying down debt*
    c) money you use to pay for your streaming video subscriptions.
    d) money you use to pay for your entertainment and hair care.

    Savings are used to pay for unanticipated expenses, like a car repair, or to pay down debt, like a credit card that charges a high rate of interest. Some financial advisors suggest you save enough to cover at least six months' worth of expenses.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain how the time spent for earning a paycheck correlates to your spending decisions.
Topic: Evaluate your money management habits.
MSP: 11

11. What is the 50/30/20 spending plan?
    a) a set of rules for dividing your savings between stocks, bonds, and passbook savings accounts
    b) a set of rules for creating income targets when seeking a full-time job.
    c) a set of rules for dividing your monthly income among fixed expenses, flexible expenses, and savings *
    d) a set of rules for deciding how much you should spend on eating out, buying groceries, and inviting people to your house for a meal.

    The 50/30/20 spending plan is a set of rules for dividing your monthly income among fixed expenses, flexible expenses, and savings. Let's say you earn $3,000 as a freelance web designer. According to the 50/30/20 spending plan, you should spend no more than $1,500 on your fixed expenses (50 percent of your $3,000 income); $900 on flexible expenses (30 percent of your $3,000 income); and $600 for savings (20 percent of your $3,000 income).

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain how the time spent for earning a paycheck correlates to your spending decisions.
Topic: Evaluate your money management habits.
MSP: 12

LO3 Explain how to create a personal budget.

12. Which is the best definition of budgeting?
    a) a way to balance needs against wants and fixed expenses against flexible expenses.
    b) a money management strategy to make sure you have enough money for retirement.
    c) a tool for managing overspending and getting out of debt.
    d) a money management strategy that can help you meet your financial responsibilities and achieve your financial goals. *

    Budgeting is a money management strategy that can help you meet your financial responsibilities and achieve your financial goals.

Bloom: Remember
Difficulty: 1 Easy
Learning Objective: Explain how to create a personal budget.
Topic: Creating a personal budget
MSP: 14

13. The term income refers to:
    a) the money you earn at a part-time job plus interest from your savings account.
    b) money you earn working at full- or part-time employment.
    c) student loans you use to pay for college.
    d) any money that is available for you to spend. *

    Income is any money that is available for you to spend.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain how to create a personal budget.
Topic: Creating a personal budget
MSP: 15

14. Which is the best definition of the term expense?
    a) an emergency fund for car repairs.
    b) your college tuition and lab fees
    c) anything that you must pay for. *
    d) anything that you must pay for with savings.

    An expense is anything you must pay for.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain how to create a personal budget.
Topic: Creating a personal budget
MSP: 16

15. You create a trial budget by calculating your total monthly income and the sum of your monthly expenses. What can you do if your expenses are greater than your income?
    a) Increase your income or reduce your expenses. *
    b) Reduce the amount of money you set aside for savings.
    c) Increase the time you spend searching for sales.
    d) Eliminate your flexible expenses to be sure you can pay your fixed expenses.

    You will need to increase your income or reduce your expenses. Maybe you can earn extra income by tutoring one or more classmates. Or you might start clipping coupons to save money on groceries. Keep in mind, though, that your time has value. If you can earn $15 an hour as a tutor but you save only $5.00 by clipping coupons, the tutoring might be a better use of your time.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain how to create a personal budget.
Topic: Creating a personal budget
MSP: 20

LO4 Explain the differences between needs and wants.

16. When you are planning a budget, how would you identify a need?
    a) an expense that does not change and recurs at a set schedule.
    b) something you cannot survive without, such as food and shelter. *
    c) expenses that change and depends on different variables.
    d) an expense you can skip if money is tight that month.

    A need is something you cannot survive without, such as food and shelter.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain the differences between needs and wants.
Topic: Creating a personal budget
MSP: 21

17. What is the difference between a want and a need?
    a) You can survive without a want, but a need helps you survive. *
    b) You can survive without a need, but a want helps you survive.
    c) A want is a fixed expense and a need is a flexible expense.
    d) A want is a fixed expense, while a need is a variable expense.

A need is something you cannot survive without, such as food and shelter. A want is something you wish you owned but can do without.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain how to create a personal budget.
Topic: Topic: Creating a personal budget
MSP: p. 21

18. List the purchases you have made so far today and decide whether each represented a need or a want.

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    A need is something you cannot survive without, such as food and shelter. A want is something you wish you owned but can do without, such as a new pair of pants.

Blooms: Apply
Difficulty: 1 Easy
Learning Objective: Explain how to create a personal budget.
Topic: Creating a personal budget
MSP: 21

19. The best definition of a fixed expense is an expense that:
    a) may change from month to month.
    b) does not change and usually occurs monthly. *
    c) changes from month to month, depending on your income.
    d) does not stay the same from month to month.

    A fixed expense does not change and usually occurs monthly. An example would be your monthly car payment or rent. A flexible expense may vary from month to month. Good examples would be your cell phone bill or the amount you spend on groceries.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain how to create a personal budget.
Topic: Creating a personal budget
MSP: 21

20. The best way to learn where your money goes is to do what?
    a) create a tracker that helps you analyze your actual expenses for a common set of fixed and flexible spending categories. *
    b) plan an annual budget that is based on your fixed and flexible expenses for the previous year.
    c) create a list of your fixed expenses and subtract the total from your income.
    d) set up a tracker to list the money you spend on variable expenses.

    The best way to learn where your money goes is to create a tracker analyzing it.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain how to create a personal budget.
Topic: Creating a personal budget
MSP: 23

LO5 Explain the components of student financial aid.

21. Financial aid is money supplied to a student to help with what?
    a) finding a job.
    b) college expenses. *
    c) student loans.
    d) applying for a grant.

    Financial aid is money supplied to the student to help with college expenses and comes in many forms such as scholarships, grants, loans, and work study programs.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain the components of financial aid.
Topic: Understanding Financial Aid
MSP: Concept Title: Student Financial Aid, p. 28

22. What is the best definition of a student loan?
    a) financial aid a student earns by working at a part-time job related to the student's area of study.
    b) a financial reward based on a student's merit, such as a record of getting good grades.
    c) financial aid given to students based on financial need
    d) a specific type of credit extended to students, which must be paid back. *

    Student loans are a specific type of credit extended to students, which must be paid back.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain the components of financial aid.
Topic: Understanding Financial Aid
MSP: 28

23. A grant is financial aid that is awarded to a student based on what?
    a) academic excellence.
    b) financial need. *
    c) credit score.
    d) work experience.

    Grants are financial aid given to students based on financial need and do not need to be paid back.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain the components of financial aid.
Topic: Understanding Financial Aid
MSP: 28

24. Which is the best definition of a scholarship?
    a) Financial aid that is awarded based on merit. *
    b) Financial aid that is based on need.
    c) Financial aid that is based on credit rating.
    d) Financial aid that is based on the ability to work.

    A scholarship is financial aid based on merit.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain the components of financial aid.
Topic: Understanding Financial Aid
MSP: 28

25. Which is the best definition of a Work-Study program?
    a) A program that provides part-time jobs for students.
    b) A program that provides part-time jobs related to the students' areas of study. *
    c) A program that helps students get their first full-time job.
    d) A program that matches grants to students, based on their areas of study.

    Work-Study programs provide part-time jobs related to the students' areas of study.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain the components of financial aid.
Topic: Understanding Financial Aid
MSP: 29

26. Which form of financial aid must to be paid back?
    a) grants
    b) student loans *
    c) scholarships
    d) money earned through a Work-Study program.

    Students loans are a specific type of credit extended to students and must be paid back.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain the components of financial aid.
Topic: Understanding Financial Aid
MSP: 28

27. Financial aid can be used to pay for:
    a) tuition, textbooks, and commuting expenses to a part-time job.
    b) tuition, fees, textbooks, and student housing expenses. *
    c) tuition, fees, and expenses for finding a full-time job.
    d) tuition, tutors, personal coaching, and student housing expenses.

    Financial aid may be used for tuition, fees, textbooks, and student housing expenses.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain the components of financial aid.
Topic: Understanding Financial Aid
MSP: 29

28. You don't want to take out student loans. How you would go about researching grants, scholarships, and Work-Study programs available at your school?
    a) Visit your financial aid to learn about available scholarships, grants, and work-study programs. *
    b) Go the library and ask a reference librarian to help you.
    c) Conduct a search of the web to find a list of all possible grants.
    d) Ask your friends about their experience in applying for grants and scholarships.

    Your financial aid office can help you learn about scholarships, grants or Work-Study programs you may qualify for.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain the components of financial aid.
Topic: Understanding Financial Aid
MSP: 29

LO6 Explain practices to effectively manage student loan debt.

29. How can a personal budget help you minimize your use of student loans?
    a) Your personal budget can help you estimate how much money you need for tuition, fees, textbooks, and student housing expenses.
    b) Your personal budget can help you estimate the difference between your income and the expenses you need to survive and to pay for tuition, fees, textbooks, and student housing expenses. *
    c) Your personal budget can identify flexible expenses you can categorize as student housing expenses.
    d) Your personal budget can help you set income and savings targets for the school year.

    A personal budget can give you a clear picture of the difference between your income and the expenses you need to survive and pay for school. If the gap is too great, you may want to increase your income, apply for financial aid, or reduce your course load.

Blooms: Understand
Difficulty: 1 Medium
Learning Objective: Explain practices to effectively manage student loan debt.
Topic: Understanding Financial Aid
MSP: 30

30. If you decide to take out a student loan, how would you compare the student loans available to you?
    a) the interest rate, the way you access the funds, and the repayment requirements.
    b) the repayment requirements, the interest rate, and the repayment schedule. *
    c) the amount of money available to you, the interest rate, and repayment requirements
    d) the total interest you will have to repay once you leave school.

    When comparing student loans, look at the repayment requirements, the interest rate, and the repayment schedule.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain practices to effectively manage student loan debt.
Topic: Understanding Financial Aid
MSP: Concept Title: Managing Student Load Debt, p. 18

31. When do you need to start paying back a student loan?
    a) six months after you graduate.
    b) three months after you drop out of school.
    c) as soon as you are no longer enrolled in a class. *
    d) as soon as you get a job after you graduate.

    Most student loans are due and payable as soon as you are no longer enrolled in a class.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain practices to effectively manage student loan debt.
Topic: Understanding Financial Aid
MSP: 31

32. How will student loans affect your credit rating?
    a) Repayment of student loans will improve your credit rating, even if you make late payments or occasionally skip a payment.
    b)
    c) Repayment of student loans will show up on your credit report. Making payments on time helps build your credit rating. Making late payments or skipping payments will damage your credit rating. *
    d)

Repayment of student loans will show up on your credit report. Making payments on time helps build your credit rating. Making late payments or skipping payments will damage your credit rating.

Blooms: Understand
Difficulty: 1 Easy
Learning Objective: Explain practices to effectively manage student loan debt.
Topic: Understanding Financial Aid
MSP: 31

33. Explain why this advice can be useful in managing student loan debt: “The best thing you can do for yourself is to build your career.”

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You can invest in your career by choosing a field of study that pays well or by working hard at your first job so that you can earn a promotion and a raise. By increasing your earning power, you can pay off your student loans faster and move on to other life and financial goals.

Blooms: Apply
Difficulty: 1 Easy
Learning Objective: Explain practices to effectively manage student loan debt.
Topic: Understanding Financial Aid
MSP: Concept Title: Managing Student Load Debt, p. 31

LO7 Explain key components of banking.

34. What are three characteristics of a modern bank?
    a) Modern banks are owned by members; they operate for the benefit of members; and they only provide services to members.
    b) Modern banks are owned by corporations or stockholders; they operate for profit; and they provide services to both account holders and the public. *
    c) Modern banks are owned by members; they operate for a profit; and they provide services to both account holders and the public
    d) Modern banks are owned by corporations or stockholders; they operate to provide home loans to recent graduates; and they only provide services to account holders.

    Modern banks are owned by corporations or groups of businesspersons. As a result, they operate for profit and are loyal to their stockholders. Banking services are offered to account holders. Some services, such as buying change, are offered to anyone who requests it.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain key components of banking.
Topic: Understanding Banking
MSP: 35

35. What are three characteristics of a credit union?
    a) A credit union is owned by its members, who are called shareholders; the credit union operates for the benefit of its members; and it only serves credit union members. *
    b) A credit union is owned by corporations or stockholders; it operates for profit; and it provides services to both account holders and the public.
    c) A credit union is owned by corporations and shareholders; it operates for a profit; and only provides services to corporations.
    d) A credit union is owned by the federal government and guarantees all savings up to a $100,000 limit.

    Credit unions, on the other hand, are owned by their members. As a result, they operate for the benefit of their members, who are called shareholders. Banking services are only offered to members.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain key components of banking.
Topic: Understanding Banking
MSP: 36

36. Who or what decides the types of financial services that a bank or credit union can offer.
    a) stakeholders and shareholders
    b) account holders
    c) federal and state law
    d) state and local law

    Types of financial services may vary from bank to bank and from credit union to credit union, but overall, what banks and credit unions can do is governed by federal and state law.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain key components of banking.
Topic: Understanding Banking
MSP: 36

37. How do you use a checking account in your money management plan?
    a) to pay your bills by mail
    b) to track your monthly expenses
    c) to manage your money on a day-to-day basis. *
    d) to manage your money over the long term.

    A checking account can help you manage your money on a day-to-day basis.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain key components of banking.
Topic: Understanding Banking
MSP: 38

38. How does a savings account fit in with your money management plan?
    a) A savings account is the best way to pay your monthly bills.
    b) A savings account is a place to safely store money for a long period of time and collect interest. *
    c) A savings account is used to manage your money on a day-to-day basis.
    d) A savings account is the best way to pay off your student loans.

    Savings accounts are designed to sit for long periods of time and collect interest for you.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain key components of banking.
Topic: Understanding Banking
MSP: 38

39. What is the best description of a non-liquid account?
    a) You earn a standard interest rate, but you can withdraw money whenever you want without penalty.
    b) You earn a higher interest rate, but you must agree to leave your money in the account for a specific period of time. If you withdraw your money early, you will have to pay a penalty. *
    c) You earn a standard rate of interest for the first six months. After that, you will start to earn a higher interest rate and can withdraw money without penalty.
    d) You earn a higher rate of interest for agreeing to add additional money every month. After the third month, you can start to withdraw money without penalty.

    A non-liquid account is restricted. To earn a higher interest rate, you may be asked to leave the money in the account for a specified period of time. If you need to take your money out early, you can expect to pay a penalty.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain key components of banking.
Topic: Understanding Banking
MSP: 39

40. What is the best definition of an overdraft?
    a) You do not keep accurate records of all the monthly fees the bank charges.
    b) You write a check for an amount that is less than your account balance.
    c) Payment of your check is delayed because of bank procedures.
    d) You write a check for an amount that is greater than your account balance. *

    An overdraft occurs when a check is written for more money that in the account.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain key components of banking.
Topic: Understanding Banking
MSP: 42

41. What does the abbreviation NSF stand for?
    a) National savings funds
    b) New standard funds
    c) Non-sufficient funds*
    d) Non-delayed funds

    NSF stands for non-sufficient funds.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain key components of banking.
Topic: Understanding Banking
MSP: 44

42. What happens if you write a check that causes an overdraft?
    a) The bank may call you for an explanation.
    b) The bank may return the check with the reason code NSF. *
    c) The bank will pay the bill for you.
    d) The bank will cancel your account.

When you write a check for more money than you have in your account, the bank may return it to you, the payee, with the reason given as NSF, or non-sufficient funds.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain key components of banking.
Topic: Understanding Banking
MSP: 44

43. What is the best definition of a bounced check?
    a) a check that is paid so quickly it bounces through the system.
    b) a check that is less than the balance in a checking account.
    c) a check that is missing the signature of the person who wrote the check.
    d) a check that is returned to the check writer with the reason given as NSF. *

Checks that are returned to the person who wrote the check for NSF are called bounced checks. You can avoid bounced checks by enrolling in an overdraft protection plan. These plans typically link your checking account to your savings account. If you write an NSF check, the bank will pay the check by transferring money from your saving account to your checking account.

44. What are the similarities and differences between an ATM card and a debit card?
    a) Both withdraw money from a banking account. The ATM card requires the use of a PIN. but a debit card requires a personal signature.
    b) Both can be used to make purchases in stores, but the ATM card requires a PIN.
    c) Both let you get cash at an ATM machine, but a debit card withdraws the funds from your account immediately.
    d) Both let you get cash at an ATM machine, but a debit card can be used to make cash or credit purchase in a store. *

An ATM card can only be used to get cash from an ATM machine. A debit card can also be used at an ATM machine, as well as in a store, to make a purchase. In the store, you can decide to use the debit card to make a cash payment or a credit card purchase.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain key components of banking.
Topic: Understanding Banking
MSP: 46

LO8 Explain advanced banking concepts.

45. What is a cashier's check?
    a) A check that a teller helps you write when you run out of preprinted checks for your personal checking account.
    b) A negotiable financial instrument that allows the stated payee to receive the amount of money shown on the check. *
    c) A check that a teller writes to you when you close your checking account.
    d) A check you write to the college cashier to cover the cost of your tuition.

    A cashier's check is a negotiable financial instrument that allows the stated payee to receive the amount of money shown on the check. You buy a cashier's check by paying the amount shown on the check plus any bank's fees for guaranteeing the check will not bounce. Cashier's checks are often required for buying real estate or financial assets like stocks and bonds.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 50

46. Which is the best definition of a CD used in banking?
    a) A CD or Certificate of Deposit is a higher interest saving account where the saver agrees to leave the money untouched for a certain amount of time. *
    b) A CD or compact disk used to store all financial transaction for an account
    c) A CD or Certificate of Deposit documents your purchase of a Cashier's check.
    d) A CD or Certificate of Deposit is a receipt for opening a checking account.

    A CD or Certificate of Deposit is a higher interest saving account where the saver agrees to leave the money untouched for a certain term or amount of time, such as six months. If you withdraw money before the end of the term, you will pay a penalty. However, the amount of the penalty may be less than the extra interest you earned. A CD can be a good place to deposit some of your savings.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 50

47. What is an interest-earning account?
    a) An investment account that charges you a penalty is the balance falls below a minimum amount.
    b) A non-liquid account that pays a higher rate of interest if you do not make a withdrawal.
    c) A checking, savings, or investment account that pays you for having the account at a bank. *
    d) A savings account that pays you more interest as your balance increases.

    An interest-earning account is a checking, savings, or investment account that pays you for having the account at a bank. The payment is calculated as a percentage of your account balance at a specific time.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 52

48. What is interest?
   a) a measure of the help and personal attention tellers and bankers give to customers.
   b) the amount of amount of money that a financial institution pays account holders for the privilege of having money deposited as part of their financial holdings. *
   c) the amount of money an account holder pays for withdrawing money from a CD before the end of its term.
   d) the amount of money that a bank has available to make student loans and issue home mortgages.

   Interest is the amount of amount of money that a financial institution pays account holders for the privilege of having money deposited as part of their financial holdings. In other words, interest is a fee you earn for letting the bank use your money to make other financial investments.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 53

49. What is the difference between simple interest and compound interest?
   a) Simple interest is calculated once a year, based on the amount balance on a specific day. Compound interest is calculated daily, monthly, quarterly, semi-annually, or annually. *
   b) Simple interest is calculated once a year, and the interest is sent to you as a cashier's check. Compound interest is calculated daily, monthly, quarterly, semi-annually, or annually.
   c) Simple interest is calculated once a year, and the interest is sent to you as a cashier's check. Compound interest is calculated daily, monthly, quarterly, semi-annually, or annually.
   d) Simple interest is calculated once a year, based on the amount balance on a specific day. Compound interest is calculated semi-annually, and the interest is mailed to you as a teller's check.

   Simple interest is calculated once a year, based on the account balance on a specific day. Compound interest is calculated daily, monthly, quarterly, semi-annually, or annually. Both simple interest and compound interest are added to the account balance. As a result, an account with compound interest can grow quickly, encouraging you to minimize your withdrawals. It is important to understand how interest is calculated but there are reference books and online calculators that can show you how much interest you can earn under different circumstances.

Blooms: Remember

Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 53

50. What is electronic banking?
    a) Paying bills online.
    b) Any banking activity that is not conducted face-to-face. *
    c) Using a spreadsheet to balance your checkbook.
    d) Using an ATM to withdraw money from a checking account.

    Electronic banking is any banking activity that is not conducted face-to-face at a bank. Examples include using an ATM, a debit card, electronic bill pay, direct deposit of a paycheck, and using a debit card to make a cash purchase at a store.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 57

51. What is a money order?
    a) a bill that a bank issues to get payment for a check that is marked NSF or Non-Sufficient Funds.
    b) a certificate that is purchased with cash and made payable to a specific person or company. *
    c) A gift card for a restaurant, grocery store, or chain of movie theaters.
    d) A pre-paid card that is purchased for cash and does not require the use of a checking account.

    A money order is a certificate that is purchased with cash and made payable to a specific person or company. You can buy money orders at a bank, a U.S Post Office, and some grocery stores. A money order is a good option if you don't have a checking account or want to avoid the risk of paying with cash.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 58

52. What are some alternatives to using a traditional checking account to pay a bill?
    a) A money order, a pre-paid card, or an online service like PayPal or Bluebird. *
    b) A money order or a mobile “wallet” system that uses an application on your smart phone.
    c) An online service like PayPal or Bluebird.
    d) A money order or a prepaid card issues by a financial institution.

    Some alternative to using a traditional checking account to pay a bill include money orders, pre-paid cards, or an online service like PayPal or Bluebird.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 59

LO9 Explain the key components of credit.

53. Which is the best definition of credit?
    a) Credit means that someone agrees to provide you financial resources based on the belief that you will repay the money at some time in the future. *
    b) Credit means that someone agrees to give you financial resources with no expectation that you will repay the money at some point in the future.
    c) Credit means that you can use a pre-paid gift card to make purchases at a store.
    d) Credit means that you can use a mobile wallet system to get things for free.

    *Credit means that someone agrees to provide you financial resources based on the belief that you will repay the money at some time in the future. **

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 64

54. What does a credit card's interest rate determine?
    a) the money you earn by switching all your banking to online services like Bluebird.
    b) the amount of money you can borrow against your home.
    c) the money the credit card company charges if you do not pay your entire credit card balance by the due date. *
    d) the money you can earn by depositing money into a pre-paid card and agreeing not to use it for a specific period.

    A credit card's interest rate determines how much the credit card company will charge you if you do not pay your full credit card balance by the due date.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 64

55. Describe some strategies for building your credit history.

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    You can build your credit by obtaining a credit card, using the card, and making payments on time. It is often easiest to get a store credit card with a low credit limit. Making regular monthly, on-time payment will demonstrate that you are worth of more credit. You also show a stable source of income and maintain a stable address.

Blooms: Apply
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 66

56. What is a credit report and why is it important?
    a) A credit report itemizes your history in using and repaying credit. Your credit report is used to determine whether you qualify for additional credit transactions. *
    b) A credit report itemizes your history in buying and cashing in Certificate of Deposit for the past five years.
    c) A credit report lists every time that you have paid a bill late or incurred late charges because you mailed a bill late.

d) A credit report summarizes all your financial transactions and determines whether you understand how to manage your money.

*A credit report itemizes your history in using and repaying credit. Your credit report is used to determine whether you qualify for additional credit, such a car loan or a home mortgage. **

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 69

57. Which is the best definition of a grace period?
    a) the time to make an extra payment that will reduce the interest rate on a credit card.
    b) the time between a bill’s due date and the date at which a late fee is charged. *
    c) the time between the date a bill is mailed and the date the bill is due.
    d) the time between the date a credit card is issued, and the date the first bill is due.

A grace period is the time between a bill’s due date and the date at which a late fee charged. Most insurance policies include a grace period to be sure the policy does not lapse because of a late payment.

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: Explain advanced banking concepts.
Topic: Advanced Banking Concepts
MSP: 71

58. If you get into a problem with debt, what are some strategies for rebuilding your credit?

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Begin making payments on your debt, even if you cannot pay the full balance. Get a credit card from a store, use the card to make a small purchase, and make regular, on-time payments on the store credit card. Making regular payments will improve your credit rating. Get a copy of your credit report and dispute any errors you find. Until you get your debt under control, do not apply for new credit cards or cancel any of your existing cards, because these actions will make it seem that there is a risk in giving you credit.