

Chapter 19 Practice Test

Indicate whether the statement is true or false. If it is false, change the identified word(s) to make the statement true.

- ___ 1. In general, what you spend each month on rent should equal what you earn in two weeks.
- ___ 2. With insurance, a higher deductible means a higher premium.
- ___ 3. Contributions to charity are not tax deductible.
- ___ 4. To be considered for financial aid—including low-interest loans, grants, and work-study programs—you must complete a FAFSA form.
- ___ 5. Workers with bachelor's degrees have greater lifelong earning power than do workers with only a high school diploma, and are less likely to be unemployed.

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

- ___ 6. Which is the best synonym for the *bonds* that are used to raise corporate capital?
 - a. payments
 - b. taxes
 - c. loans
 - d. stocks
- ___ 7. To invest in the government, a person can invest in _____.
 - a. municipal bonds
 - b. savings bonds
 - c. Treasury bonds
 - d. all of the above
- ___ 8. How much money should you save before you start renting an apartment?
 - a. enough to pay the first month's rent
 - b. enough to pay the last month's rent
 - c. enough to pay the security deposit
 - d. all of the above
- ___ 9. The terms *general*, *joint*, and *limited* apply to which type of organization?
 - a. partnerships
 - b. IRAs
 - c. corporations
 - d. mutual funds

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- ___ 10. Passbook accounts, money market deposit accounts, money market mutual funds, and certificates of deposit (CDs) are good ways to _____ money.
- a. budget
 - b. borrow
 - c. save
 - d. withdraw
- ___ 11. Who issues municipal bonds?
- a. state and local governments
 - b. Congress
 - c. financial institutions
 - d. corporations
- ___ 12. You should complete a FAFSA form if you want _____.
- a. financial aid for college
 - b. to live in an apartment
 - c. automobile or property insurance
 - d. to donate money to a charity
- ___ 13. You have a passbook account. Therefore, you are a(n) _____.
- a. saver
 - b. borrower
 - c. investor
 - d. credit counselor
- ___ 14. A man borrows money from an automobile dealership to pay for a car. If he fails to repay the loan, the dealership will take possession of the car. In this situation, the dealership is (a) ____, the car is (a) ____, and the man is (a) _____.
- a. creditor, collateral, borrower
 - b. borrower, creditor, collateral
 - c. credit union, loan, creditor
 - d. loan, collateral, creditor
- ___ 15. A corporation has all the rights and responsibilities of _____.
- a. a family
 - b. an individual
 - c. a government agency
 - d. a partnership

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- ___ 16. Which of the following is guaranteed only by a promise?
- a. a Certificate of Deposit (CD)
 - b. a secured loan
 - c. a credit score
 - d. an unsecured loan
- ___ 17. Your portfolio is diversified. You have _____ investments.
- a. completely successful
 - b. many different
 - c. financially based
 - d. preferred and common
- ___ 18. The _____ rates for adjustable-rate mortgages vary over time, unlike fixed-rate mortgages.
- a. inflation
 - b. interest
 - c. tax
 - d. insurance
- ___ 19. Which is **not** a type of business organization?
- a. sole proprietorship
 - b. partnership
 - c. stockholder
 - d. corporation
- ___ 20. What is the **best** title for a list that includes: Direct Subsidized; Direct PLUS; and Direct Consolidation?
- a. Types of Financial Aid
 - b. Common Federal Student Loans
 - c. Key FAFSA Requirements
 - d. Work-Study Programs
- ___ 21. If you defaulted, you failed to _____.
- a. pay back a loan
 - b. apply for financial aid
 - c. qualify for health insurance
 - d. give money to charity

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- ___ 22. What does a stockholder “hold”?
- a. the profits of a business
 - b. a share in a corporation
 - c. part of a mutual fund
 - d. a Treasury bill
- ___ 23. Who pays interest on a loan?
- a. a lender
 - b. a borrower
 - c. a credit union
 - d. a creditor
- ___ 24. Why is it important to live on a budget?
- a. Living on a budget will eliminate your expenditures.
 - b. Living on a budget will increase your income.
 - c. Living on a budget will make your life easier.
 - d. Living on a budget will make you a financial adviser.
- ___ 25. As a borrower, you want to pay _____.
- a. a high interest rate
 - b. a low interest rate
 - c. a varying interest rate
 - d. any of the above
- ___ 26. As a rule of thumb, when renting an apartment, your monthly rent should not be more than the amount you earn in _____.
- a. one week
 - b. two weeks
 - c. three weeks
 - d. four weeks
- ___ 27. In most states, it is illegal to drive without _____.
- a. health insurance
 - b. property insurance
 - c. liability insurance
 - d. disability insurance

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- ___ 28. Every student who wants financial aid must _____.
a. join the military
b. take AP classes
c. complete an application for a Social Security card
d. complete the FAFSA application form
- ___ 29. Which of the following are considered a “financial institution”?
a. a bank
b. an insurance company
c. a savings and loan
d. all of the above
- ___ 30. A woman borrows money to buy a house. If she does not repay the money the bank loaned her, the bank will take the house. What is the house?
a. a financial institution
b. a budget
c. collateral
d. interest

Enter the appropriate word(s) to complete the statement.

31. _____ are persons or institutions to whom money is owed.

32. A _____ is a group that channels savings to investors.

33. _____ is something of value that can be claimed by a lender if a loan is not repaid.

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34. Payment made for the use of borrowed money is called _____.

35. A _____ loan is one that is backed up by something of value.

Match each item with the correct statement below.

a. common stock

b. corporation

c. partnership

d. mutual fund

e. sole proprietorship

___ 36. an unincorporated business owned and run by a single person

___ 37. an unincorporated business owned and operated by two or more people

___ 38. a form of business organization recognized by law as a separate legal entity with all the rights and responsibilities of an individual

___ 39. a company that sells shares of a portfolio of securities, e.g., stocks and bonds issued by other companies

___ 40. the most common form of corporate ownership, with one vote per share for stockholder

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Match each item with its correct description.

- a. collateral
- b. corporation
- c. creditors
- d. interest
- e. partnership
- f. premium
- g. secured loan
- h. sole proprietorship
- i. stockholder
- j. unsecured loan

- ___ 41. payment made for the use of borrowed money
- ___ 42. persons or institutions to whom money is owed
- ___ 43. something of value that a lender can claim if a loan is not repaid
- ___ 44. money borrowed that is backed up with something of value in case the borrower can't pay it back
- ___ 45. money borrowed that is guaranteed only by a promise to repay it
- ___ 46. unincorporated business owned and run by a single person
- ___ 47. unincorporated business owned and operated by two or more people
- ___ 48. form of business organization recognized by law as a separate legal entity with all the rights and responsibilities of an individual
- ___ 49. person who owns a share or shares of stock in a corporation
- ___ 50. monthly, quarterly, semiannual, or annual price paid for an insurance policy