ABA.Premium.CTFA.by.VCEplus.856q

Number: CTFA VCEplus
Passing Score: 800
Time Limit: 120 min
File Version: 1.0

Exam Code: CTFA
Exam Name: Certified Trust and Financial Advisor
Certification Provider: ABA
Corresponding Certification: CTFA
Website: www.vceplus.com
Free Exam: https://vceplus.com/exam-ctfa/
Questions & Answers Exam Engine is rigorously checked before being put up for sale. We make sure there is nothing irrelevant in CTFA exam products and you get latest questions. We strive to deliver the best CTFA exam product for top grades in your first attempt.

QUESTION 1
Financial goals cove a wide range of financial aspirations such as:

A. Controlling living expenses
B. Meeting retirement needs
C. Setting up a savings and investment program
D. All of the above

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 2
These are target dates in the future when certain financial objectives are expected to be completed. What are these?

A. Goal dates
B. Target dates
C. Due dates
D. Financial dates

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 3
Today's well-defined employee benefits package cover a full spectrum of benefits that may include all EXCEPT:

A. Long -term care insurance
B. Dental and vision care
C. Subsidized employee benefit plan
D. Partial retirement plans

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 4
Tax deferred retirement plans and flexible spending accounts offer tax advantages. Some retirement plans allow you toagainst them.

A. Lend
B. Borrow
C. Spend
D. None of the above

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 5
Accumulating assets to enjoy in retirement is only part of the:

A. Long-term financial planning process
B. Short-term financial planning process
C. Life time financial planning process
D. Permanent financial planning process

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 6

This is a type of employee benefit plan wherein the employer allocates a certain amount of money and then the employee spends that money for benefits selected from a menu covering everything from child care to health and life insurance to retirement benefits.

A. Flexible benefit plan
B. Cafeteria plan
C. Short-term financial plan
D. Both of the above are one and the same

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 7
Most financial planners fall into one of two categories based on how they are paid. Commission based planners earn commissions on the financial products they sell, whereascharge fees based on the complexity of the plan they prepare.

A. Free only planners
B. Commission based planners
C. Professional planners
D. Security planners

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 8
When determining the interaction between the UK and EU on the regulation of the financial services industry, the UK government must always

A. seek approval from the European Commission before implementing any new regulations.
B. implement new EU Directives by passing acts of Parliament.
C. accommodate all EU Decisions in UK legislation.
D. provide copies of new regulation to the European Commission within a reasonable period of time for their approval.

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 9
A client has previously written to her former adviser opting out of any marketing activities from the firm or any third parties. However she continues to receive direct investment offers from the firm. She should complain based on the firm not complying with which set of regulations?

A. Conduct of Business rules.
B. Data Protection Act 1998.
C. Distance Selling Regulations.
D. Treating Customers Fairly.

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 10
The Financial Services and Markets Act 2000 regulates the provision of which type(s) of financial advice?

A. Advice to vulnerable individuals only
B. Advice to all individuals
C. Advice to all individuals and group personal pensions schemes only
D. Advice to all individuals unless they are elective professional clients

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 11

Simon has experience of dealing with retail clients and is now in training to qualify as a pension transfer specialist. As a consequence, which of the following statements are true?

A. He must have at least 3 years experience as an adviser before his training can commence
B. His firm is allowed to impose a time limit on completion of the qualification
C. His supervisor must also be suitably qualified
D. Once qualified, CPD requirements are waived for 12 months
E. Once qualified, records of his training must be maintained for at least 5 years

Correct Answer: BC
Section: (none)
Explanation

Explanation/Reference:

QUESTION 12
The efficient frontier curve shows the optimum balance between:

A. Risk and return
B. Return and taxation
C. Taxation and risk
D. Inflation and return

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 13
A UK investor holds a portfolio of overseas equities and is concerned about the exchange rate risk. Which strategy could he use to mitigate this risk?

A. Arbitrage
B. Gearing
C. Hedging
D. Pound cost averaging

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 14
When constructing a portfolio for a UK resident basic-rate taxpayer who requires an income, the most tax efficient solution would be achieved by:

A. Only investing in offshore products
B. Holding fixed-interest funds within a stocks and shares ISA
C. Purchasing National Savings & Investments (NS&I) Fixed-Interest Savings Certificates
D. Holding high-yielding equities within a stocks and shares ISA

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 15
The principal reasons for using the Sharpe ratio when calculating a portfolio's performance are:

A. It indicates the percentage return above/below the risk-free rate for each unit of risk taken
B. It will always be quoted on a rolling quarterly basis
C. A positive Sharpe ratio will always guarantee positive returns
D. The higher the number, the more a portfolio manager can be said to have added value

Correct Answer: AD
Section: (none)
Explanation

Explanation/Reference:

QUESTION 16

Pauline, a basic-rate taxpayer, has a portfolio which comprises of various equity and fixed-interest unit trusts and OEICs. She should be aware that:

A. Any losses from this portfolio are allowable for Capital Gains Tax calculations
B. Her entire portfolio will be subject to a 10% tax credit
C. Only the proceeds of sale from the OEICs could be subject to Capital Gains Tax
D. The taxation of dividends on the OEICs held will be treated the same way as the unit trusts
E. She can never reclaim any tax deducted at source

Correct Answer: AD
Section: (none)
Explanation

Explanation/Reference:

QUESTION 17
Philip took out a qualifying onshore endowment policy for 20 years which he made paid up in year 9. This means that he may become personally liable to tax on the policy proceeds:

A. At maturity
B. If he makes a partial surrender
C. If he assigns the policy to his wife
D. On settlement of a critical illness claim

Correct Answer: AB
Section: (none)
Explanation

Explanation/Reference:

QUESTION 18
Bill, a single man, having made full use of his annual gift allowances, made a potentially exempt transfer of £100,000 four and a half years before his death. He has made no other gifts. His residual estate is now valued at £500,000. The Inheritance Tax liability at death is:

A. £30,000
B. £46,000
C. £94,000

D. £110,000

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 19
On Brian's death, his estate was valued at £820,000. He bequeathed £40,000 to a registered charity and split the balance equally between his registered civil partner and his brother. Assuming he made no lifetime transfers, what will the Inheritance Tax liability be?

A. £22,750
B. £26,000
C. £29,750
D. £34,000

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 20
Trevor is a member of a defined benefit company pension scheme. Which factor relating to his circumstances confirms that he will avoid incurring a special annual allowance charge in the current tax year?

A. He is a member of an Employer Financed Retirement Benefit Scheme (EFRBS)
B. He is aged 61
C. His total annual earnings have never exceeded £110,000
D. His benefits include the maximum level of death benefit

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 21
Stephen is about to commence taking benefits from his personal pension scheme, which includes protected rights. He should be aware that:

A. He can take up to 25% of the total fund as a pension commencement lump sum
B. He has the right to exercise the open market option
C. His whole pension fund must provide limited price indexation in payment
D. The value of the protected rights element will not count towards the lifetime allowance

Correct Answer: AB
Section: (none)
Explanation

Explanation/Reference:

QUESTION 22
Frank, age 55, is considering adopting a lifestyle investment technique as he aims to build up his personal pension prior to retirement. He should be aware that:

A. The asset mix of the fund will be adjusted automatically on pre-determined dates
B. His ongoing exposure to equities will reduce with lifestyling
C. After 10 years, a maximum of 25% of the investments will be in bonds
D. Lifestyling is likely to be appropriate if he intends to purchase a conventional annuity with his entire fund.

Correct Answer: ABD
Section: (none)
Explanation

Explanation/Reference:

QUESTION 23
Under an employer's group life assurance policy, what is the normal tax treatment of the death benefit?

A. It is liable to Inheritance Tax
B. It is liable to Capital Gains Tax
C. It is liable to Income Tax
D. It is not liable to any form of taxation

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 24
If an income protection insurance (PHI) policy has reviewable premiums, this usually means that the insurance company can:

A. Alter the cost of the cover
B. Withdraw cover on any anniversary date
C. Only increase premiums in line with inflation
D. Pay benefits for less than the full period of incapacity

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 25
Apart from comparing cover and costs, what other key factor should usually be considered if a financial adviser intends to recommend that a client cancels an existing term assurance policy and replaces it with a new one?

A. The insurable interest
B. The underwriting requirements
C. The secondhand policy market value
D. The chargeable gains

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 26
The primary purpose of a key person insurance policy is to provide funds on the death of the life assured directly to the deceased's:

A. Children only
B. Employer only
C. Estate only
D. Spouse only

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 27
The phase of the economic cycle when levels of employment and production are high and economy is growing, generally accompanied by high prices for goods and services is called:

A. Growth
B. Expansion
C. Depression
D. Recovery

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 28
The phase of the economic cycle when levels of employment and production fall and the growth of the economy slows is called:

A. Growth
B. Expansion
C. Recession
D. Recovery

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 29
The phase of the economic cycle when levels of employment and production are low and economic growth is at a virtual standstill or even negative is called:

A. Growth
B. Expansion
C. Recession
D. Depression

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 30
Gross domestic product is:

A. The total of all goods and services produced in a country used to monitor economic growth
B. The half of all goods and services produced in a country used to monitor economic growth
C. The division of all goods and services produced in a country used to monitor economic growth
D. None of the above

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 31
It is a measure of inflation based on changes in consumer goods and services:

A. Consumer price Index
B. Customer price Index
C. Market rate Index
D. Market value

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 32
Inflation is a vital concern to financial planning. It affects not only what we pay for our goods and services but also what we earn in our jobs. The amount of goods and services each dollar buys at a given time is:

A. Purchasing power
B. Seller's demand
C. Market value
D. Sales purchase difference

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 33
Balance sheet and income statements that serve as essential planning tools for developing and monitoring personal financial plans may be referred as:

A. Personal financial statements
B. Legal financial statements
C. Illegal financial statements
D. Company profile

Correct Answer: A

Section: (none)
Explanation

Explanation/Reference:

QUESTION 34
It's a detailed financial report that looks forward, based on expected income and expenses.

A. Balance sheet
B. Income Statement
C. Budget
D. Equity turnover

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 35
The actual value of an asset, or the price of an asset, or the price for which it can reasonably be expected to sell in the open market is its:

A. Actual price
B. Book value
C. Depreciation amount
D. Fair market value

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 36
Tangible assets that are immovable: land and anything fixed to it, such as a house is a person's:

A. Investment
B. Real property
C. Liability
D. Open credit obligation

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 37
It is actually a method of preparing financial statements in which only transactions involving actual cash outlays are recorded.

A. Cash basis
B. Expense
C. Equity
D. Cash deficit

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 38
An excess amount of expense over income resulting in insufficient funds as well as in decreased net value is called:

A. Cash deficit
B. Limited Liability
C. Cash basis
D. Net worth

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 39
Total liquid assets divided by total current debts; measures the ability to pay current debts. It is:

A. Solvency ratio
B. Liquidity ratio
C. Savings ratio
D. Debt service ratio

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 40
Total net worth divided by total assets; measures the degree of exposure to insolvency is:

A. Solvency ratio
B. Liquidity ratio
C. Savings ratio
D. Debt service ratio

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 41
Cash surplus divided by net income (after tax); indicates relative amount of cash surplus achieved during a given period is:

A. Solvency ratio
B. Liquidity ratio

C. Savings ratio
D. Debt service ratio

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 42
Total monthly loan payments divided by monthly gross (before-tax) income; provides a measure of the ability to pay debts promptly is:

A. Solvency ratio
B. Liquidity ratio
C. Savings ratio
D. Debt service ratio

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 43
A cash budget is the valuable money management tool that helps you EXCEPT:

A. Maintain the necessary information to monitor and control your finances
B. Decide how to allocate your income to reach your financial goals
C. Implement a system of disciplined spending-as opposed to just existing from one paycheck to the next
D. Enhance needles spending so you can increase the funds allocated to savings and investments

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 44
Budget control schedule is:

A. A summary that shows how actual income and expenses compare with the various budget categories
B. A summary that shows how actual income and expenses compare with the various budget categories and where variances (surplus or deficit) exist
C. A graphical presentation of cash flows
D. The interest earned each year

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 45
"Shareholder wealth" in a firm is represented by:

A. The number of people employed in the firm
B. The book value of the firm's assets less the book value of its liabilities
C. The amount of salary paid to its employees
D. The market price per share of the firm's common stock

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 46
The long-run objective of financial management is to:

A. Maximize earnings per share
B. Maximize the value of the firm's common stock
C. Maximize return on investment
D. Maximize market share

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 47
What are the earnings per share (EPS) for a company that earned $100,000 last year in after-tax profits, has 200,000 common shares outstanding and $1.2 million in retained earning at the year end?

A. $100,000
B. $6.00
C. $0.50
D. $6.50

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 48
A single, overall cost of capital is often used to evaluate projects because:

A. It avoids the problem of computing the required rate of return for each investment proposal
B. It is the only way to measure a firm's required return
C. It acknowledges that most new investment projects have about the same degree of risk
D. It acknowledges that most new investment projects offer about the same expected return

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 49

The cost of equity capital is all of the following Except:

A. The minimum rate that a firm should earn on the equity-financed part of an investment
B. A return on the equity-financed portion of an investment that, at worst, leaves the market price of the stock unchanged
C. By far the most difficult component cost to estimate
D. Generally lower than the before-tax cost of debt

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 50
If the following are balance sheet changes:
$5,005 decrease in accounts receivable
$7,000 decrease in cash
$12,012 decrease in notes payable
$10,001 increase in accounts payablea "use" of funds would be the:

A. $7,000 decrease in cash
B. $5,005 decrease in accounts receivable
C. $10,001 increase in accounts payable
D. $12,012 decrease in notes payable

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 51
The concept that dollar today is worth more than a dollar received in future. It is:

A. Time value of money
B. Compounding
C. Timeline

D. Future value

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 52
Rule 72 is:

A. Ausefulformulafor estimating howlongitwill take to double a sum at a given interest rate
B. Ausefulformulafor estimating howlongitwill take to triple a sum at a given interest rate
C. Ausefulformulafor estimating howlongitwill take to graphically represent the time value ofmoney
D. Ausefulformulafor estimating howlongitwill take to make the future value of deposited money

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 53
On an accounting statement of cash flows an "increase(decrease) in cash and cash equivalents" appears as:

A. A cash flow from operating activities
B. A cash flow from investing activities
C. A cash flow from financing activities
D. None of the above

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 54
Uses of funds include a (an):

A. Decrease in cash
B. Increase in any liability
C. Increase in fixed assets
D. Tax refund

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 55
A tax structure in which the larger the amount of taxable income, the higher the rate at which it is taxed is:

A. Marginal tax rate
B. Progressive tax structure
C. Tax bracket
D. Immovable tax structure

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 56
Average tax rate:

A. Is the rate at which each dollar of taxable income is taxed on average; calculated by dividing the tax liability by taxable income
B. Is the rate at which each dollar of taxable income is taxed annually; calculated by dividing the tax liability by taxable income.
C. Is the rate at which each dollar of taxable income is taxed on average; calculated by dividing the tax liability by non-taxable income
D. Is the rate at which each dollar of taxable income is taxed on average; calculated by dividing the tax liability by expenses

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 57
Which of the following would be included in a cash budget?

A. Depreciation charges
B. Dividends
C. Patents
D. Amortization

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 58
It is the deduction of AGI based on the number of persons supported by the taxpayer's income

A. Exemption
B. Dependence
C. Tax payment
D. Adjustment

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 59
Exemptions are phased out and eliminated altogether for taxpayers with high levels of AGI. After adjusting for inflation it applies to single taxpayers with 2008 AGI:

A. Under $159,950
B. Over $159,950
C. Equal to $179,950
D. Over $189,950

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 60
The illegal act failing to accurately report income or deductions and in extreme cases, failing to pay taxes altogether is:

A. Tax avoidance
B. Tax Invasion
C. Tax Evasion
D. None of these

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 61
It is a technique used to reduce taxes in which a taxpayer shifts a portion of income to relatives in lower tax brackets. What is it?

A. Income shifting
B. Deductions maximization
C. Tax deference
D. Tax evasion

Correct Answer: A
Section: (none)

Explanation

Explanation/Reference:

QUESTION 62
A good way to keep your spending in line is to make all household transactions (even fun money or weekly cash allowances) using a tightly controlled:

A. Checking account
B. Balance sheet
C. Budget
D. Savings account

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 63
An account offered by credit unions that is similar to interest paying checking accounts offered by the other financial institutions is:

A. Deposit insurance
B. Share draft account
C. Internet bank
D. Checking and saving accounts

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 64
It is a type of insurance account that protects funds on deposit against failure of the institution; can be insured by FDIC and the NCUA.

A. Deposit insurance

B. Share draft account
C. Internet bank
D. Checking and saving accounts

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 65
are a popular offering at bank and other depository institutions and competes for deposits with money market and mutual funds.

A. Money market deposit accounts
B. Money market mutual funds
C. Time deposit
D. Asset management account

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 66
pools the funds f many small investors to purchase high return, short term marketable securities offered by the U. S treasury.

A. Money market deposit accounts
B. Money market mutual funds
C. Time deposit
D. Asset management account

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 67
It is a formal, legal commitment to extend credit up to some maximum amount over a stated period of time.

A. Letter of credit
B. Revolving credit agreement
C. Line of credit
D. Trade credit

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 68
The type(s) of collateral generally used for a secured short-term loan is(are):

A. Inventory and/or receivables
B. Common Stocks and bonds
C. Real estate
D. Machinery

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 69
The investment proposal with the greatest relative risk would have:

A. The highest standard deviation of net present value
B. The highest coefficient of variation of net present value
C. The highest expected value of net present value
D. The lowest opportunity loss likelihood

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 70
A safe-deposit box is a rented drawer in a bank's vault. Boxes can be rented for:

A. $40
B. $30
C. $40-$85
D. $90

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 71
Probability-tree analysis is best used when cash flows are expected to be:

A. Independent overtime
B. Risk-free
C. Related to the cash flows in previous periods
D. Known with certainty

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 72

You are considering two mutually exclusive investment proposals, project A and project B B's expected value of net present value is $1,000 less than that for A and A has less dispersion. On the basis of risk and return, you would say that

A. Project A dominates project B
B. Project B dominates project A
C. Project A is more risky and should offer greater expected value
D. Each project is high on one variable, so the two are basically equal

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 73
If two projects are completely independent (or unrelated), the measure of correlation between them is:

A. 0
B. 0.5
C. 1
D. -1

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 74
Managerial options can be viewed as:

A. Methods for reducing agency risk through the use of incentives
B. Methods for reducing total firm risk through diversification
C. Strategies for increasing management compensation
D. Opportunities for altering management decisions in the future

Correct Answer: D

Section: (none)
Explanation

Explanation/Reference:

QUESTION 75
Checkbook ledger:

A. Is for informal use
B. Is a booklet provided with a supply of check
C. Used to maintain accurate record
D. Both B and C are correct

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 76
Assume that you purchase a car for $20,000 in September. You make a down payment of $3000 and finance the remaining amount $17000 with a 4-year, 5.5% installment loan payable monthly. Your September 30 income statement would show a cash expenditure of $3000, and each subsequent monthly income statement would your monthly loan payment of:

A. $395
B. $495
C. $795
D. $295

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 77

Calculating certain financial ratios can help you evaluate your financial performance over time. What's more, if you apply for a loan, the lender probably will look at the ratios to judge your ability to carry additional debt. Four important money management ratios are all of the following Except:

A. Solvency ratio
B. Liquidity ratio
C. Savings account ratio
D. Debt service ratio

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 78
The amount of liquid funds will vary with your personal circumstances and comfort level. Another useful liquidity guideline is to have a reserve fund equal to:

A. 3 to 6 months of income
B. 3 to 6 months of after tax income
C. 4 to 8 months of after tax income
D. 6 to 12 months of income

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 79
Even if, the annual balances, in certain months' expenses may exceed income, causing a monthly budget deficit. Likewise, a surplus occurs when income in some months exceed expenses. It remedy may be:

A. Shift expenses from months which budget, deficits to months with surpluses for, (or alternatively, transfer income, if possible, from months with surpluses to those with deficit)
B. Use savings, investments, or borrowing to cover temporary deficits
C. Estimate genuine expenses
D. Pay off your credit card

Correct Answer: AB
Section: (none)
Explanation

Explanation/Reference:

QUESTION 80
It is the value today of an amount to be received in future; it is the amount that would have to be invested today at a given interest rate over a specified period of time to accumulate the future amount. What is it?

A. Present value
B. Discounted value
C. Compounded value
D. Lump-sum value

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 81
The dues paid for membership in our society; the cost of living in this country may be referred as:

A. Income deficit
B. Expenses
C. Taxes
D. Filing surplus

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 82
Taxable income is:

A. The amount of income subject to taxes; it is calculated by subtracting expenses, the larger of itemized or standard deductions, and exemptions from gross income
B. The amount of income subject to taxes; it is calculated by subtracting adjustments, the larger of itemized or standard depreciations, and exemptions from gross income
C. The amount of income subject to taxes; it is calculated by subtracting adjustments, the larger of itemized or standard deductions, and exemptions from gross income
D. The amount of income subject to taxes; it is calculated by subtracting adjustments, the larger of itemized or standard deductions, and exemptions from earned income

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 83
Gross income essentially includes any and all income subject to federal taxes. Here are some common forms of gross income Except:

A. Wages and salaries
B. Bonuses, commissions, and tips
C. Interest and dividends received
D. Alimony paid

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 84
An adoption tax credit of up to $11650 is available for the qualifying costs of adopting child under age 18. Only taxpayers with AGI under $17,730 are eligible for the adoption tax credit. Here are some other common tax credits. Which of the following is/are Not out of those?

A. Credit for the elderly or the disabled

B. National tax credit
C. Credit for prior year minimum tax
D. Credit for qualified electric vehicle

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 85
An extension of time beyond the April 15 deadline during which taxpayers, with the approval of the IRS, can file their returns without incurring penalties.

A. Filing extension
B. Amended return
C. Estimated taxes
D. None of the above

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 86
A technique used to reduce taxes in which a taxpayer shifts a portion of income to relatives in lower tax brackets.

A. Income shifting
B. Tax deferred
C. Tax avoidance
D. Tax Evasion

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 87
When using a probability tree approach, we discount the various cash flows to their present value at:

A. The firm’s weighted-average cost of capital
B. The project's required rate of return
C. The risk-free rate
D. The after-tax cost of the firm's long-term debt

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 88
A managerial option, in effect:

A. Limits the flexibility of management’s decision-making
B. Limits the downside risk of an investment project
C. Limits the profit potential of a proposed project
D. Applies only to new projects

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 89
The presence of managerial, or real, options the worth of an investment project.

A. Increases
B. Decreases
C. Does not affect
D. Increases or decrease

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 90
A firm's degree of operating leverage (DOL) depends primarily upon its:

A. Sales variability
B. Level of fixed operating costs
C. Closeness to its operating break-even point
D. Debt-to-equity ratio

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 91
EBIT is usually the same thing as:

A. Funds provided by operations
B. Earnings before taxes
C. Net income
D. Operating income

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 92

In the context of operating leverage break-even analysis, if selling price per unit rises and all other variables remain constant, the operating break-even point in units will:

A. Fall
B. Rise
C. Stay the same
D. Still be indeterminate until interest and preferred dividends paid are known

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 93
This statistic can be used as a quantitative measure of relative "financial risk.'

A. Coefficient of variation of earnings per share (CVEPS)
B. Coefficient of variation of operating income (CVEBIT)
C. (CVEPS - CVEBIT)
D. (CVEPS + CVEBIT)

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 94
Espinosa Coffee & Trading, Inc.'s common stock measured beta is calculated to be 0.75. The market beta is, of course, 1.00 and the beta of the industry of which the company is a part is 1.10. If Merrill Lych were to calculate an "adjusted beta" for Espinosa's common stock, that adjusted beta would most likely be:

A. less than 0.75
B. more than 0.75, but less than 1.10
C. equal to 1.10
D. equal to 0.95 {i.e., (1/3) x (0.75+ 1.00 + 1.10)}

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 95
What's the value to you of a $1,000 face-value bond with an 8% coupon rate when your required rate of return is 15 percent?

A. More than its face value
B. Less than its face value
C. $1000
D. True

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 96
If the intrinsic value of a stock is greater than its market value, which of the following is a reasonable conclusion?

A. The stock has a low level of risk
B. The stock offers a high dividend payout ratio
C. The market is undervaluing the stock
D. The market is overvaluing the stock

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 97
When the market's required rate of return for a particular bond is much less than its coupon rate, the bond is selling at:

A. A premium
B. A discount
C. cannot be determined without more information
D. Face value

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 98
Virgo Airlines will pay a $4 dividend next year on its common stock, which is currently selling at $100 per share. What is the market's required return on this investment if the dividend is expected to grow at 5% forever?

A. 4 Percent
B. 5 Percent
C. 7 Percent
D. 9 Percent

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 99
Interest rates and bond prices:

A. Move in the same direction
B. Move in opposite directions
C. Sometimes move in the same direction, sometimes in opposite directions
D. Have no relationship with each other (i.e., they are independent)

Correct Answer: B

Section: (none)
Explanation

Explanation/Reference:

QUESTION 100
The expected rate of return on a bond if bought at its current market price and held to maturity.

A. Yield to maturity
B. Current yield
C. Coupon Yield
D. Capital gains yield

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 101
__________is a type of insurance that protects funds on deposit against failure of the institution; can be insured by the FDIC and the NCUA.

A. Deposit Insurance
B. Demand deposit
C. Time deposit
D. Money market mutual fund

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 102
A checking account on which the financial institution pays interest; it have no legal minimum balance is called:

A. Money market deposit account
B. Negotiable order of withdrawal account
C. Money market mutual funds
D. Asset management account

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 103
Which one of the followings is a mutual fund that pools the funds of many small investors and purchases high-return, short-term marketable securities?

A. Money market deposit account
B. Negotiable order of withdrawal account
C. Money market mutual funds
D. Asset management account

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 104
It is a federally insured savings account, offered by banks and other depository institutions, that competes with money market mutual funds. What is it?

A. Money market deposit account
B. Negotiable order of withdrawal account
C. Money market mutual funds
D. Asset management account

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 105
A comprehensive deposit account, offered primarily by brokerage houses and mutual funds is a/an:

A. Money market deposit account
B. Negotiable order of withdrawal account
C. Money market mutual funds
D. Asset management account

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 106
Money market deposit account is a federally insured savings account, offered by banks and other depository institutions, that competes with money market mutual funds. Depositors can check-writing privileges or ATM to access MMDA accounts. A major problem with the growing popularity of interest-paying checking accounts has been:

A. A slump in monthly bank charges, which can easily amount to more than the interest earned on all but the highest account balances
B. A fall in monthly bank charges, which can easily amount to more than the interest earned on all but the highest account balances
C. A rise in monthly bank charges, which can easily amount to more than the interest earned on all but the highest account balances
D. A rise in monthly bank charges, which can easily amount less than the interest earned on all but the highest account balances

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 107
This type of risk is avoidable through proper diversification:

A. Portfolio risk
B. Systematic risk
C. Unsystematic risk
D. Total risk

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 108
A statistical measure of the degree to which two variables (e.g., securities' returns) move together is:

A. Coefficient of variation
B. Variance
C. Co-variance
D. Certainty equivalent

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 109
According to the capital-asset pricing model (CAPM), a security's expected (required) return is equal to the risk-free rate plus a premium:

A. Equal to the security's beta
B. Based on the unsystematic risk of the security
C. Based on the total risk of the security
D. Based on the systematic risk of the security

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 110
The risk-free security has a beta equal to, while the market portfolio's beta is equal to:

A. One more than one
B. One less than one
C. Zero; one
D. less than zero; more than zero

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 111
Carrie has a "certainty equivalent" to a risky gamble's expected value that is less than the gamble's expected value. Carrie shows:

A. Risk aversion
B. Risk preference
C. Risk indifference
D. A strange outlook on life

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 112
Specially coded plastic cards used to transfer funds from a customer's bank account to the recipient's account to pay for goods or services.

A. Credit cards
B. Debit cards

C. Automated Teller machine
D. None of these

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 113
A measure of "risk per unit of expected return."

A. Standard deviation
B. Coefficient of variation
C. Correlation coefficient
D. Beta

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 114
Plaid Pants, Inc. common stock has a beta of 0.90, while Acme Dynamite Company common stock has a beta of 1.80. The expected return on the market is 10 percent, and the risk-free rate is 6 percent. According to the capital-asset pricing model (CAPM) and making use of the information above, the required return on Plaid Pants' common stock should be, and the required return on Acme's common stock should be .

A. 3.6 percent; 7.2 percent
B. 9.6 percent; 13.2 percent
C. 9.0 percent; 18.0 percent
D. 14.0 percent; 23.0 percent

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 115
Two people wishing to open a checking account may do so in which one of the following ways:

A. They can each open individual checking accounts (on which the other cannot write checks)
B. They can open a joint account that requires both signatures on all checks
C. They can open joint account that allows either one to write checks (the most common type of joint account)
D. All of the above

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 116
After opening the checking account, follow these basic procedures Except:

A. Always right checks in ink
B. Include the name of the person being paid the date, and the amount of the check
C. Note the check's purpose on the check
D. Sign the check in a different way than on the signature card

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 117
____________is the result writing a check for an amount greater than the current account balance.

A. Overdrafts
B. Undercrofts
C. Checkbook ledger

D. Overdraft protection

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 118
It is a booklet provided with a supply of checks, used to maintain accurate records of all checking account transactions.

A. Overdrafts
B. Undercrofts
C. Checkbook ledger
D. Overdraft protection

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 119
An arrangement between the account holder and the depository institution wherein the institution automatically pays a check that overdraws the account is called:

A. Overdrafts
B. Undercrofts
C. Checkbook ledger
D. Overdraft protection

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 120
Diversification__________:

A. Allows you to profit in any market
B. Is a way to reduce volatility of your investments
C. Is the only way to profit in the long run
D. Requires investing in hundreds of funds

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 121
An order made by an account holder instructing the depository institution to refuse payment on an already issued check.

A. Overdraft
B. Stop payment
C. Overdraft protection
D. Checkbook ledger

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 122
It is a check payable to a third party that is drawn by a bank on itself in exchange for the amount specified plus, in most cases, a service fee (of about $5).

A. Cashier's check
B. Traveler's check
C. Certified check
D. None of these

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 123
Short-term interest rates generally fluctuatelong-term rates, so it pays to monitor interest rate movements, shop around for the best rates, and place your funds in savings vehicles consistent with your needs.

A. More than
B. Less than
C. Equal to
D. None of the above

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 124
Many financial planning experts recommend keeping a minimum of______to_______of your investment portfolio in savings-type instruments in addition t the 3 to 6 months of liquid reserves noted earlier. Someone with $50,000 in investment should probably have a minimum of $5000 to $12500.

A. 10% to 15%
B. 20% to 30%
C. 10% to 25%
D. 20%-25%

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 125
This is a saving bond issued by various denominations by the U.S Treasury. These are backed by the U.S government and can be replaced without charge in case of loss theft or destruction.

A. Series EE
B. I Saving bond
C. U.S. Treasury Bills
D. CPI-U

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 126
A systematic approach to selecting and financing a vehicle can mean significant savings. Before making any major purchase-whether it's a car, house, or large appliance-consider some basic guidelines to wise purchasing decisions.

A. Research your purchase thoroughly, considering not only the market but also your personal needs
B. Buy the item for your needs
C. Do not purchase and make necessary repairs promptly
D. Both A and B

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 127
The loss in the value of an asset, such as an automobile, that occurs over its period of ownership; calculated as the difference between the price initially paid and the subsequent sale price.

A. Depreciation
B. Franchise dealerships
C. Independent dealership car lots

D. Private individuals

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 128
offers the latest-model used cars, provide financing, and will negotiation on price. Be sure to research values for shipping.

A. Dependent car lots
B. Franchise dealership
C. Independent used car lots
D. Private individuals

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 129
__________have great impact on bond prices

A. Stock options
B. Interest rate
C. Weather conditions
D. Consumer prices

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 130
Bond interest rate is called

A. Acquisition rate
B. Coupon rate
C. Accumulation rate
D. Amortization rate

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 131
Bonds usually pay interest_________per year.

A. Once
B. Twelve times
C. Twice
D. Four times

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 132
Coupon rate is paid until the bond________

A. Matures
B. Expires
C. Is sold
D. Reach to its half life to maturity

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 133
Bond's par value is known as_________value.

A. Call
B. Maturity
C. Face
D. Coupon

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 134
Time consumed in clearing a check through the banking system.

A. Processing float
B. Deposit float
C. Collection float
D. Availability float

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 135
Commercial paper is essentially:

A. Another form of junk bond
B. A short-term unsecured corporate IOU
C. An intermediate-term corporate bond
D. A certificate that may be exchanged for a share of common stock at a specified future date

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 136
Concentration banking:

A. Increases idle balances
B. Moves excess funds from a concentration bank to regional banks
C. Is less important during periods of rising interest rates
D. improves control over corporate cash

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 137
Which would be an appropriate investment for temporarily idle cash that will be used to pay quarterly dividends three months from now?

A. A long-term Aaa-rated corporate bond with a current annual yield of 9.4 percent
B. A 30-year Treasury bond with a current annual yield of 8.7 percent
C. Ninety-day commercial paper with a current annual yield of 6.2 percent
D. Common stock that has been appreciating in price 8 percent annually, on average, and paying a quarterly dividend that is the equivalent of a 5 percent annual yield

Correct Answer: C

Section: (none)
Explanation

Explanation/Reference:

QUESTION 138
According to the Bond Equivalent Yield (BEY) method, the yield on a $1,000, 13-week US Treasury bill purchased for $960 would be closest to:

A. 16 Percent
B. 16.7 Percent
C. 17 Percent
D. 17.8 Percent

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 139
Accounts receivable conversion (a.k.a., check conversion) is the conversion of a paper check to

A. An electronic check image
B. A "substitute check"
C. An ACH debit transaction
D. A foreign currency

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 140
It is a type of flexible mortgage where the payments increase for a specified period of time and then level off. What is it?

A. Flexible payment mortgage
B. Graduated payment mortgage
C. Constant payment mortgage
D. Variable payment mortgage

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 141
____________is a claim upon a piece of property for the payment or satisfaction of a debt or obligation.

A. Escrow
B. Lien
C. Callable debt
D. Balloon payment mortgage

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 142
First mortgage is:

A. Flexible payment mortgage
B. A mortgage score which is in first lien position,
C. Taking priority over all other liens
D. Graduated payment mortgage

Correct Answer: BC
Section: (none)
Explanation

Explanation/Reference:

QUESTION 143
The mortgage interest rate will remain the same on these mortgages throughout the term of the mortgage.

A. Adjustable term mortgage
B. Graduated payment mortgage
C. Adjustable rate mortgage
D. Fixed rate mortgage

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 144
__________is the money paid to insure the mortgage when the down payment is less than 20 percent

A. Origination fee
B. Points
C. Down payment
D. Mortgage Insurance

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 145
What can be a short term interim loan to pay for the construction of buildings and homes?

A. Adjustable rate mortgage
B. Appraisal

C. Construction loan
D. Conventional loan

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 146
The amount of debt, not counting interest, on a loan.

A. Principle
B. Appraisal
C. Down payment
D. Commitment

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 147
Money given by a buyer to a seller, as part of the purchase price to bind a transaction or assure payment.

A. Down Payment
B. Escrow
C. Earnest money
D. Deed of trust

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 148
A legal by which a lender or a seller forces a sale of a mortgaged property.

A. Foreclosure
B. Callable debt
C. Escrow
D. Default

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 149
A construction loan made during completion of a building or a project.

A. Interim Financing
B. First mortgage
C. Conventional loan
D. Blanket Mortgage

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 150
A mortgage which is in first lien position, taking priority over all other liens.

A. First mortgage
B. Callable debt
C. Fixed rate mortgage
D. Graduated payment mortgage

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 151
refers to failure to meet legal obligations in a contract, specifically, failure to make the monthly payments on the mortgage.

A. Foreclosure
B. Default
C. Amortization
D. Callable debt

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 152
The difference between fair market value and current indebtedness is called:

A. Down payment
B. Amortization
C. Equity
D. Fixed rate mortgage

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 153
An account held by the lender into which the home buyer pays money for tax or insurance payments.

A. Entitlement
B. Deed of trust
C. Escrow
D. Earnest money

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 154
It is a document that gives evidence of an individual's ownership of property. What is it?

A. Title
B. Lien
C. Deed of trust
D. Escrow

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 155
Mutual funds let you invest.

A. Invest risk free
B. Avoid taxes
C. Profit in any market
D. Invest in many stocks with relatively little money

Correct Answer: D
Section: (none)

Explanation

Explanation/Reference:

QUESTION 156
The fund's investment objective can be found in:

A. The prospectus
B. Statement of omitted information
C. Letter from the president
D. Statement of additional information

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 157
Large- value funds own.

A. Large company stocks considered overvalued
B. Large amounts of value companies
C. Large company stocks considered under valued
D. Largely overvalued stocks

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 158
specializes in low cost index funds.

A. Vanguard

B. Fidelity
C. T. Rowe Price
D. Tocqueville

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 159
Small-value funds own:

A. Small company stock considered undervalued
B. Stocks of small value
C. Small amounts of value companies
D. Small company stocks considered overvalued

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 160
Loan funds:

A. Charge extra fees to buy or sell shares
B. Don't perform as well as no load funds
C. Invest only in foreign securities
D. Can’t be bought through fund supermarkets

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 161
Dollar cost averaging:

A. Is the best way to beat the market
B. Requires minimum paperwork
C. Means investing based on the dollar value
D. Means investing a fixed amount periodically

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 162
Large growth funds own:

A. Large company stocks that have grown recently
B. Large company stocks expected to grow fast
C. Large amount of growing companies
D. Growing amounts of large companies

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 163
Small growth funds own_______:

A. Small company stocks that have grown recently
B. Small company stocks expected to grow fast
C. Small amount of growing companies
D. Small amounts of large companies

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 164
Which turnover rate suggests a more tax efficient funds?

A. 10%
B. 100%
C. 5%
D. 200%

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 165
A typical mutual fund doesn't generally:

A. Invest commercial papers
B. Invest in small growth companies
C. Invest in large growth companies
D. Invest in stocks

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 166

The number of mutual funds is:

A. Under 10 thousand
B. Under 5 thousand
C. Over 100 thousand
D. Over 15 thousand

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 167
Bond funds offer:

A. Zero volatility
B. Relatively stable income
C. Superior capital appreciation
D. No-risk investment

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 168
Mutual funds make you money through:

A. Currency appreciation
B. Tax deductions
C. income and capital appreciation
D. Yield

Correct Answer: C

Section: (none)
Explanation

Explanation/Reference:

QUESTION 169
The 12b-1 fee covers________:

A. Fund’s distribution and advertising cost
B. Investor education
C. Fund manager's travel expenses
D. Brokerage expenses

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 170
A_______is the time to pay your credit card bill without incurring finance charges.

A. Time line
B. Grace period
C. Overtime pay
D. Extension

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 171
An informal term for credit card is

A. ATM
B. Discount card
C. Plastic
D. Play money

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 172
The total amount that you have to pay on a certain billing is:

A. Monthly membership fees
B. Minimum payment
C. Outstanding balance
D. Balancing act

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 173
__________is the term used for the monthly report of all the accumulated charges.

A. Savings account
B. Balance
C. Purchase breakdown
D. Billing statement

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 174
It occurs when you don't make full payment on your previous bill.

A. Discount
B. Reward points
C. Finance charge
D. Membership fee

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 175
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. Monthly fee

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 176
You can earn a________when you continuously use your credit card for purchasing stuff.

A. Credit
B. Interest

C. Reward
D. Punishment

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 177
Credit cards offer______so you can withdraw money instantly.

A. Cash reward
B. Credit cash
C. Mortgage
D. Cash advance

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 178
In credit card payments, late payment charges occur when you only pay the minimum payment.

A. True
B. False
C. It depends
D. There are no such charges

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 179
Dealer invoice is the amount a dealer is billed by the car manufacturer.

A. True
B. False
C. It depends
D. There is no such invoice

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 180
APR is the same as the interest rate.

A. True
B. False
C. It depends
D. APR is not comparable with interest rate

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 181
Dealer holdback is an allowance:

A. That manufacturer gives to the buyer
B. That supplier gives to the buyer
C. That wholesaler gives to the buyer
D. None of these

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 182
Dealer charges include:

A. Manufacturer warranty
B. Retailer warranty
C. Producer warranty
D. None of these

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 183
APR stands for:

A. Average postal rate
B. Annual percentage rate
C. Average prudential rate
D. Average percentage rate

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 184
Dealer charges include extras such as extended warranty.

A. False
B. True
C. There are no such charges
D. Sometimes it includes, sometimes not

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 185
In stocks, technical analysis is based on studying:

A. P/E
B. EPS trends
C. Stock fundamentals
D. Stock Charts

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 186
Socks that tends to periodically rise and fall are called:

A. Defensive stocks
B. Blue chips
C. Cyclic stocks
D. Income stocks

Correct Answer: C
Section: (none)

Explanation

Explanation/Reference:

QUESTION 187
High price earnings ratio often indicate that investors:

A. Are avoiding the company stock
B. Are optimistic about the company
C. Like the company products
D. Don't worry about the inflation

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 188
Defensive stocks:

A. Are y relatively independent from the business cycle
B. Are blue chip stocks
C. Are growth stocks
D. None of these

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 189
Stock beta measures:

A. Stock volatility

B. Company earnings
C. Stock correlation with the CPI
D. Company debt

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 190
Penny stocks are traded on

A. NYSE
B. AMEX
C. NASDAQ
D. OTC

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 191
Stocks of established companies are called:

A. Growth stocks
B. Blue chip stocks
C. Cyclic stocks
D. Income Stocks

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 192
Income stocks

A. Stocks that pay relatively high dividend
B. Are traded in OTC
C. Are low dividend paying stocks
D. Both A and B

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 193
__________are usually expected to produce significant gains.

A. Defensive stocks
B. Income stocks
C. Blue chips
D. Growth stocks

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 194
Fundamental analysis is based on studying:

A. Company debt
B. The company's financial data
C. Return on equity
D. Stock charts

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 195
The way in which people make, distribute, and use their goods and services is called?

A. Opportunity cost
B. Short-term goals
C. Economics
D. Wealth watch

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 196
Financial plans that are more than five years off are called?

A. Opportunity plans
B. Long-term goals
C. Intermediate goals
D. Attainable goals

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 197

The amount of goods and services available for sale is called?

A. Demand
B. Reserve
C. Supply
D. Economy

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 198
Saving for vacation next summer or paying off small debts are examples of?

A. opportunity planning
B. short-term goals
C. long-term goals
D. opportunity results

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 199
Spending, saving and investing to have the kind of life you want and financial security can be achieved by?

A. Personal financial planning
B. Paying interest
C. Discussing your financial situation with a friend
D. Regulating inflation

Correct Answer: A