

Sample Questions for the Arkansas Personal Finance Challenge!

1. If you plan to purchase a home during times of expected inflation, the best type of mortgage to negotiate would be a
- fixed-rate mortgage.
 - variable-rate mortgage.
 - balloon-payment mortgage.
 - any of the above types would be fine.

(Category: Money Management)

2. For most households, the largest source of income is
- rent.
 - wages.
 - interest.
 - profit.

(Category: Income)

3. It is estimated that over a person's lifetime, a college graduate can expect to earn how much more than a high school graduate?
- 15%
 - 30%
 - 40%
 - 55%

(Category: Income)

4. If LeJuan's credit score is 540, then LeJuan
- can petition his bank to increase his score.
 - will have a difficult time getting credit.
 - may be able to negotiate a lower interest rate on his next loan.
 - has an excellent credit score.

(Category: Spending and Credit)

5. When comparing investment alternatives, a person can assume that
- risk and return are directly related.
 - return and liquidity are directly related.
 - risk, liquidity, and return are all directly related.
 - there is no relationship among risk, liquidity, and return.

(Category: Saving and Investing)

6. Janelle has \$1000 in two separate savings accounts, Account A and Account B. Both accounts earn 4 % interest each year, but Account A is compounded annually and Account B is not. After three years, Janelle finds that Account A has
- \$6.53 less money than Account B.
 - \$4.86 more money than Account B.
 - \$6.53 more money than Account B.
 - exactly the same amount as Account B.

(Category: Saving and Investing)

7. Your friend, Sam, has just purchased his first home and wants to protect his family from losing the home in the event of his death. He wants the most coverage for the least cost, so you recommend that he purchase
- whole life insurance.
 - mortgage insurance.
 - term life insurance.
 - homeowners insurance.

(Category: Money Management)

8. One difference between making a purchase with a debit card versus a check is that with a debit card
- it is easier for identity theft to occur.
 - you have no record of the amount of your purchase.
 - the purchase amount is immediately deducted from your account.
 - many businesses will not accept a debit card, but will accept a check.

(Category: Spending and Credit)

9. The primary purpose for companies to advertise products is to
- use the bait and switch tactic.
 - allow companies to increase prices.
 - inform consumers about certain product features.
 - increase the demand for company products.

(Category: Spending and Credit)

10. Budgets are often thought of negatively because most people making budget feel constrained because they forget to include
- all monthly payments.
 - emergency expenses.
 - discretionary spending.
 - savings.

(Category: Money Management)

11. Approximately what percentage of your daily decision-making involves opportunity costs?
- 25%
 - 50%
 - 75%
 - 100%

(Category: Money Management)

12. Which of the following monetary tools is the primary tool used by the Federal Reserve to manage the money supply?

- a. Discount Rate
- b. Margin Requirement
- c. Reserve Requirement
- d. Open Market Operations

(Category: Money Management)

**Answer Key
Sample Questions
for the
Arkansas Personal Finance Challenge!**

- 1. A
- 2. B
- 3. C
- 4. B.
- 5. A.
- 6. B
- 7. C
- 8. C
- 9. D
- 10. C
- 11. D
- 12. D