

Budgeting Unit Test

1. What action corresponds to the advice "Pay Yourself First?"
 - a. Wait until the end of the month to determine how much to save
 - b. Directly deposit 20% of your paycheck into your savings account
 - c. Spend your regular paycheck and save your bonus check
 - d. Take two jobs and use one job for your expenses and one job for your wants

2. Which of these costs would be the MOST difficult to adjust if you were looking to reduce your expenses?
 - a. Dining out at local restaurants
 - b. Loan payment on a new car
 - c. Expenses for new clothes
 - d. Postponing purchase of the big-screen TV

3. You set a goal of creating a \$16,000 emergency fund. You earn a salary of \$40,000 per year and decide to save 20% of your gross pay. How long will it take for you to achieve your goal?
 - a. 6 months
 - b. 1 year
 - c. 2 years
 - d. 3 years

4. Which of the following items will NOT reduce your gross pay?
 - a. Investment income
 - b. State taxes
 - c. FICA (Social Security)
 - d. Federal taxes
 - e. Medicare

5. What would be TWO signals that you have a budget deficit?

Yes	No	Statement
		The unpaid balance on your credit card increases every month
		Your savings account balance grows every month
		You overdraw your checking account on a consistent basis (at \$34 cost per overdraft)
		Your checking account balance grows every month

6. You are so excited to get a car before you go off to college. What are the costs usually associated with a car, assuming that you have to take out a loan to acquire it?

- a. Car payment to pay off a loan
- b. Auto insurance
- c. Car maintenance
- d. All of the above

7. While shopping for groceries you are comparing the cost of three cereals that you like...Cereal A costs \$3.20 for a 16 oz. box, Cereal B costs \$5.00 for a 32 oz. box and Cereal C costs \$2.50 for a 10 oz. box. Rank order the options from lowest unit cost to highest unit cost.

	Cereal C
	Cereal A
	Cereal B

8. Isaiah works for the summer at a technology company and has a salary for the summer of \$3,000. After federal and state taxes and Social Security/Medicare taxes are deducted, his take-home pay is \$2,500. Which of the statements below is correct?

- a. His gross pay is \$2,500 and net pay is \$3,000
- b. His gross pay is \$3,000 and net pay is \$2,500
- c. His gross and net pay are \$3,000
- d. His net pay and gross pay are \$2,500

9. You are putting together your first post-graduation budget. Your take-home or net pay will be \$2,500 per month. You estimate your monthly costs to be rent of \$800, car payment of \$350, car insurance of \$150, car maintenance of \$50, entertainment of \$500, food expense of \$250, cable bill of \$75, mobile phone of \$100, student loan payment of \$100 and other expense of \$300. How would you describe your budget after analyzing all of your income and expenses?

- a. You have a surplus of \$175
- b. You have a deficit of \$175
- c. You have a deficit of \$2,675
- d. You have a surplus of \$2,500

10. You are interested in renting an apartment for your sophomore year in college. You meet with the landlord, complete the application and after checking your credit background and references, the landlord approves your application. In most cases, you will need to provide the landlord with _____ at the time you sign the lease in order to get the apartment.
- First month's rent
 - First and last month's rent
 - First and last month's rent + a security deposit to cover any damages to the apartment
 - \$1,000 deposit
11. You really, really want to live in San Francisco to pursue a career with a leading technology firm. You get the coveted job offer (take-home pay of \$3,000 per month) and make a trip to the area to check out apartments. You narrow your choice down to three options: 1) Studio apartment with views of Golden Gate Bridge for \$2,000 2) One bedroom apartment near the ballpark for \$1,800 or 3) Studio in most prestigious part of the city for \$2,200. Which would you choose?
- Choice #1
 - Choice #2
 - Choice #3
 - None of the above. Rule of thumb suggests that you shouldn't spend more than 40% of your take-home pay on rent. Roommates?
12. You decide you really need a car for transportation to your new job. Which factors will impact your total cost of ownership of that car?

Yes	No	Statement
		Age of your car
		Fuel efficiency of your car
		Purchase price of your car
		Taxes and registration fees charged by your state of residence

13. Which of the following are good budgeting strategies to save money at the grocery store?

Yes	No	Statement
		Prepare a grocery list before you go to the store, and avoid buying items that aren't on the list.
		Build a weekly meal plan around items you already own or items that are on sale that week, rather than just choosing foods you'd like to eat.
		When comparing similar products, focus on the price only
		When comparing similar products, be sure to compare based on unit price

14. What is a health insurance premium?
- A measure of how many procedures your insurance plan covers
 - The amount you must pay monthly for insurance, regardless of whether you use any services
 - The amount you pay out of pocket for a specific procedure or service
 - An extra amount you can pay for higher quality service than what is covered in a basic plan
15. When it comes to health insurance, copays and deductibles are...
- Out-of-pocket costs for actual health services and treatments received as part of your healthcare plan
 - Optional costs if you want better health insurance
 - Paid monthly when you use a doctor that is not covered by your healthcare plan
 - Only paid if you require more health services than your insurance company expected
16. Aaron realizes he has a budget deficit of roughly \$175 at the end of two months in a row. Which of these options makes the most sense for him to fix his problem?
- Contribute \$100 less to savings each month and \$75 less to his retirement fund
 - Start paying just the minimum monthly payment on his student loan and credit card debt, instead of the extra he's been contributing.
 - Cancel his cable TV subscription and go out to dinner three fewer times each month with friends
 - Sell his current car and get a less expensive vehicle
17. Geraldine works part-time at the local juice bar. She gets paid \$10 per hour and plans to work 10 hours per week throughout the year (assume a 50 week year). She pays federal and state taxes equal to 20%. Her GROSS PAY for the Year is equal to...
- \$100
 - \$80
 - \$4,000
 - \$5,000
18. You're considering moving into a 3 bedroom apartment with 2 roommates, rather than living on your own post-college. Mark which of YOUR expenses would likely decrease by having roommates.

Yes	No	Statement
		Renter's insurance
		Cell phone bill
		Rent
		Internet bill

19. Mark whether each of the following is a reason to have insurance.

Yes	No	Statement
		It reduces your out-of-pocket expenses in case of a horrible injury, disaster, or loss.
		It allows you to be less responsible and take more risks, because you're always protected.
		In some cases, it's mandated by law.
		It increases your gross income.
		If you start paying insurance when you're young, you won't have to pay for it later when you're older.

20. Danaisha does all her grocery shopping at organic markets, and has a monthly grocery bill of \$325. Charles says that Danaisha is wasting her money on wants instead of focusing on needs. He buys in bulk, uses coupons, and shops at Save-More for a monthly bill of \$195. Who's budgeting correctly for food?

- a. Danaisha, because she is focusing on her health, which will have a guaranteed payoff in the long run
- b. Charles, because he's taking efforts to save money by focusing on his needs only
- c. Both, because needs vs wants are determined on an individual basis
- d. Neither, because they should meet in the middle somewhere. Charles should focus more on health, and Danaisha should cut her spending.

21. When it comes to student loans, a grace period is...

- a. the time between when your monthly bill is due and when you'll be charged a late fee
- b. the total number of years it will take you to pay off your loan
- c. the 6 months you have AFTER finding a job to begin paying off your student loans
- d. the number of on-time payments you must make in order to have your loans forgiven
- e. none of the above

22. Which of these is NOT an advantage of federal student loans?

- a. They have a guaranteed, fixed rate that the borrower knows before taking out the loan
- b. They are erased if you ever have to file for bankruptcy
- c. They are sometimes eligible for loan forgiveness, income-based repayment, or deferment
- d. They are not subject to a credit check in order to qualify

23. Mark whether each statement about student loans is accurate.

Yes	No	Statement
		The longer it takes you to pay off your student loans, the more total interest you will pay
		Paying more than the minimum balance each month will reduce the total cost of your loan
		It is better to default on your student loans than to apply for an income-based repayment plan
		If you do not pay off your student loans, the consequences are minimal
		You can take as much money in federal student loans as you need to cover the cost of your undergraduate tuition

24. After graduation, Leila is determined to live in one of the country's 10 largest cities; she's tired of her small town! She figures she can save money by not owning a car. If she wants to save money and be car-free, which two factors are most important for her to consider when choosing a city?

Yes	No	Statement
		Quality of the public transportation
		Cost of license and registration
		Location of her home and work
		Average cost of Uber or taxi fare
		Location of the largest nearby airport

25. Which of these is NOT an option for a 24-year-old college grad to get health insurance?

- a. Remain on their parent's policy
- b. Obtain health insurance through their employer
- c. Remain on their college health care plan
- d. Buy insurance on the marketplace