Test Bank for Introduction to Personal Finance 1st Carioti

Introduction to Personal Finance (1st)

ISBN 9781071885031 | Chapter 1: Your Money, Your Story

Total Questions: 50

Easy

Multiple Choice (9)

Q1. *[Multiple Choice]*

You have learned about money history as a child, a consumer, and as a(n) ______.

- **a) employee ✓ correct**
- **b)** analyst
- **c)** banker
- **d)** loaner

Q2. *[Multiple Choice]*

The four categories of the money classroom are secure, unstable, unaware, and ______.

- **a)** insecure
- **b) anxious ✓ correct**
- **c)** competent
- **d)** confident

Q3. *[Multiple Choice]*

Money scripts fall into four categories: money avoidance, worship, status, and ______.

- **a)** future
- **b)** drift
- **c)** therapy
- **d) vigilance ✓ correct**

Q4. *[Multiple Choice]*

______ are the principles that you consider most important in your life.

- **a)** Behaviors
- **b)** Drifts
- **c) Values ✓ correct**
- **d)** Beliefs

Q5. *[Multiple Choice]*

Patterns in money scripts are able to predict ______.

- **a)** credit scores
- **b)** income levels
- **c) disorders ✓ correct**
- **d)** values

Q6. *[Multiple Choice]*

______ is the money value assessment that measures how carefully you manage your money and personal budget.

- **a) Frugality ✓ correct**
- **b)** Safety vs. status
- **c)** Experience vs. things
- **d)** Time horizon preference

Q7. *[Multiple Choice]*

Not funding an emergency savings account would be an example of money ______.

- **a) mistakes ✓ correct**
- **b)** drifts
- **c)** values
- **d)** classrooms

Q8. *[Multiple Choice]*

What proportion individuals surveyed regret not investing for their future earlier in their careers?

- **a)** about a quarter
- **b)** just under half
- **c)** slightly more than half
- **d) nearly all ✓ correct**

Q9. *[Multiple Choice]*

Defining what we want in life and adopting a(n) ______ mindset are essential to our future financial success.

- **a)** fixed
- **b) growth ✓ correct**
- **c)** agile
- **d)** classroom

True/False (6)

Q10. *[True/False]*

A key factor in studying how we have been influenced by people and events during our younger years is part of our money memories.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Q11. *[True/False]*

Money is the second leading cause of stress second only to politics.

- **a)** True
- **b) False ✓ correct**

Correct answer: False

Q12. *[True/False]*

With money scripts, a story that is completely false is typically believed to be true due to our subconscious.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Q13. *[True/False]*

Money values are the personal standards you consider most important when making household financial decisions.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Q14. *[True/False]*

Each individual's money values are unique based on their past experiences, current preferences, and future plans.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Q15. *[True/False]*

A survey conducted after the pandemic of COVID-19 revealed that the majority of respondents plan to prioritize their health and mental well-being.

- **a) True ✓ correct**
- **b)** False

Correct answer: True

Medium

Multiple Choice (15)

Q16. *[Multiple Choice]*

A question that we would ask an adult when examining their money memories would be ______.

- **a)** What is the average credit score for young adults?
- **b) Did you receive conflicting messages from different people around you? ✓ correct**
- **c)** What are the tax ramifications of deferred income?
- **d)** Do you have a fixed or growth mindset?

Q17. *[Multiple Choice]*

A(n) ______ classroom is emotionally calm and ideal for all children.

- **a)** insecure
- **b) secure ✓ correct**
- **c)** unstable
- **d)** unaware

Q18. *[Multiple Choice]*

The ______ category is what people can strive for as an adult as the framework takes open communication and healthy money habits.

- **a)** stable
- **b)** financial therapy
- **c)** unstable
- **d) secure ✓ correct**

Q19. *[Multiple Choice]*

Money scripts can be best described as ______.

- **a)** the monetary policies set forth by economists
- **b)** the foreign currency acceptance systems
- **c) our childhood set of beliefs about money ✓ correct**
- **d)** the physical currencies used to purchase goods in a marketplace

Q20. *[Multiple Choice]*

Sofia believes that money is the root of all evil and because of this does not stick to nor manage a household budget, rarely monitoring her checking account. Sofia's money script is most likely money ______.

- **a) avoidance ✓ correct**
- **b)** status
- **c)** worship
- **d)** drift

Q21. *[Multiple Choice]*

Which of the following shows characteristics of the money status script?

- **a)** hoarding money due to significant risk aversion
- **b)** believing that money can solve almost all types of problems
- **c) viewing money as a means to establish social hierarchy and self-worth ✓ correct**
- **d)** valuing financial independence over tangible assets and materials

Q22. *[Multiple Choice]*

Which of the following reflects the money vigilance script?

- **a)** speculative investors who tend to take risks
- **b)** difficulty in sticking to a budget and overspending
- **c)** prioritizing today's comfort vs. tomorrow's
- **d) thrifty savers for the future who typically live below their means ✓ correct**

Q23. *[Multiple Choice]*

If left unchecked, our money scripts can sabotage our ______.

- **a) behavior ✓ correct**
- **b)** drift
- **c)** memory
- **d)** status

Q24. *[Multiple Choice]*

David has decided to pick up a second job as a freelance writer to help pay off his student loans, which will come at the expense of spending time with his family. This would be an example of a(n) ______.

- **a)** trade-in
- **b) opportunity cost ✓ correct**
- **c)** experience
- **d)** money avoidance

Q25. *[Multiple Choice]*

Which event would be most likely to lead to a change in money values?

- **a) being fired from a job ✓ correct**
- **b)** the death of a friend
- **c)** purchasing a high-end TV
- **d)** finding cheap flight tickets

Q26. *[Multiple Choice]*

Joseph is not in touch with his money values, thus putting him at risk of making financial choices that go against what he truly wants. In this case, Joseph would be subject to ______.

- **a)** a money classroom
- **b)** external factors
- **c)** money evolution
- **d) decision drift ✓ correct**

Q27. *[Multiple Choice]*

A growth mindset would be best represented by ______.

a) relying on traits and prior knowledge

b) embracing change as key learning opportunities ✓ correct

c) blaming others when experiencing setbacks

d) giving up easily when times get tough

Q28. *[Multiple Choice]*

A fixed mindset would be best represented by ______.

a) embracing change as learning opportunities

b) overcoming obstacles with grace

c) not being receptive to constructive feedback ✓ correct

d) believing that hard work and dedication will prevail

Q29. *[Multiple Choice]*

Yeong-Gi never took the time to analyze his past experience with money and because of this keeps repeating the same mistakes over and over. These negative scripts are being repeated because Yeong-Gi failed to ______ his money values.

a) reflect on ✓ correct

b) project

c) drift on

d) budget for

Q30. *[Multiple Choice]*

Looking back on his childhood, Allen recalled that he used to receive a weekly allowance dependent on completing assigned chores. This is an example of money ______.

a) values

b) classrooms

c) drifts

d) memories ✓ correct

True/False (4)

Q31. *[True/False]*

Children are virtually guaranteed to pick up on their parents' positive money habits because the secure classroom is verbally open.

a) True

b) False ✓ correct

Correct answer: False

Q32. *[True/False]*

Measuring one's self-worth by how many assets and investments they have accumulated over a lifetime is a money worship script.

a) True

b) False ✓ correct

Correct answer: False

Q33. *[True/False]*

Making financial choices not based on your underlying money values but on external factors such as the people around you is an example of decision drift.

a) True ✓ correct
b) False

Correct answer: True

Q34. *[True/False]*

An example of the “defining your why” would be establishing a short-term goal such as purchasing a home.

a) True
b) False ✓ correct

Correct answer: False

Essay (6)

Q35. *[Essay]*

What are money memories?

> ***Suggested answer:*** *Sample response: Money memories are the personal events and feelings that we have on financial matters and money, which have been developed and refined since childhood.*

Q36. *[Essay]*

What is financial therapy and what is its main objective?

> ***Suggested answer:*** *Sample response: Financial therapy is specialized in that it combines elements of psychology and finance to address behavioral issues related to money. The main objective is to help families overcome their issues and improve their financial well-being by addressing the underlying factors which impact their money choices.*

Q37. *[Essay]*

Describe a scenario that would be defined as money worship.

> ***Suggested answer:*** *Sample response: An individual who worships money believes that accumulating enough of it is the only key to happiness. A workaholic would be an example of someone who worships money.*

Q38. *[Essay]*

Discuss the relationship between money scripts and behaviors.

> ***Suggested answer:*** *Sample response: If we fail to assess our money scripts we will continue with the same money behavior issues as they are all we know. Patterns in money scripts can predict money disorders such as gambling and compulsive buying.*

Q39. *[Essay]*

List and briefly define the four common money values. Provide an example of a behavior that might be pursued by a person who holds each value.

> ***Suggested answer:*** *Sample response: Frugality is an assessment of how carefully one manages their money. A person who values frugality would likely set strong spending limits for themselves. Safety versus status measures the value you place on being socially accepted over security. A person who values safety would probably have a well-funded emergency fund while a person valuing status would be more inclined to spend it on luxuries. Experience versus things assesses the value you place on experiences over tangible items. A person who values experiences would likely spend on travel, while a person who values things would spend on expensive items, such as high-end furniture. Finally, the time horizon preference assesses if you live for the present or save for the future. A person with a long time horizon preference would probably set more aside for retirement.*

Q40. *[Essay]*

What is a money mistake? Provide an example of one of the most common types.

> ***Suggested answer:*** *Sample response: Money mistakes are the unavoidable missteps that one takes and regrets when it comes to money management. One of the most common regrets is not investing money earlier in life to maximize the power of compounding.*

Hard

Multiple Choice (6)

Q41. *[Multiple Choice]*

As children, Max and Leo would periodically set up a lemonade stand to sell on the hot days of summer. They would obtain the raw materials free of charge, courtesy of their parents, and charge $2 per cup of freshly squeezed lemonade, which is pure profit and split evenly among the two. This would be an example of ______.

- **a)** subsidized enterprise
- **b)** capital markets
- **c) money memories ✓ correct**
- **d)** free markets

Q42. *[Multiple Choice]*

Growing up in Detroit, Jack would overhear his mom and dad arguing about bills and overly concerned with making ends meet. In response, Jack began to worry about his future and his family's money problems. This would be an example of a(n) ______ classroom.

- **a)** stable
- **b)** secure
- **c) unstable ✓ correct**
- **d)** insecure

Q43. *[Multiple Choice]*

Elizabeth is concerned about ongoing money issues which are impacting her family, so she meets with a specialist who begins counseling Elizabeth and together they identify the root cause of being addicted to online shopping. They will monitor this behavior to greatly reduce or eliminate online purchases ahead of paying monthly bills. The specialist whom Elizbeth met with is a ______.

- **a) certified financial therapist ✓ correct**
- **b)** financial planning manager
- **c)** chartered financial analyst
- **d)** certified financial planner

Q44. *[Multiple Choice]*

Rebecca recently started a new job that offers a 401k retirement savings plan. While creating a personal budget, she plans to contribute the maximum annual limit to take full advantage of the company's generous matching program even though it would reduce her standard of living today. This would be an example of a(n) ______ assessment.

- **a)** frugality
- **b)** safety vs. status
- **c)** experience vs. things
- **d) time horizon preference ✓ correct**

Q45. *[Multiple Choice]*

Rachel is known around the neighborhood to always wear the nicest brand of clothing that is currently in fashion to fit in and feel accepted in the affluent circle. This type of behavior would be discovered in the ______ assessment.

- **a)** frugality
- **b) safety vs. status ✓ correct**
- **c)** experience vs. things
- **d)** time horizon preference

Q46. *[Multiple Choice]*

A person with a fixed mindset would be most likely to say, ______.

- **a) "I avoid taking risks because I do not want to fail" ✓ correct**
- **b)** "I can greatly improve my talents with practice"
- **c)** "Mistakes are an opportunity to learn and develop"
- **d)** "I embrace change as learning opportunities"

Essay (4)

Q47. *[Essay]*

A key part of reflecting on your money history is to determine your money classroom. Show a real-life application of what this means.

> ***Suggested answer:*** *Sample response: The money classroom is unique to each individual based on their upbringing and includes the verbal and emotional messages communicated to you by your elders. An example would be your parents sharing with you their personal beliefs about money during your childhood.*

Q48. *[Essay]*

Describe an experience that would be categorized as an unstable money classroom.

> ***Suggested answer:*** *Sample response: An example of an unstable classroom would be a situation where a child witnessed their parents endure financial stress and openly communicate how stressful this caused them to be during the period of worry.*

Q49. *[Essay]*

Define the term "money script." How is it that individuals could believe these to be true even when they are completely false?

> ***Suggested answer:*** *Sample response: A money script is a subconscious story about money that children receive and believe to be true throughout adulthood. It could be similar to an urban legend, because these stories have been repeated many times. The adult believes them to be true even if they are completely false.*

Q50. *[Essay]*

Describe a situation where you faced a significant challenge or setback and show how a growth mindset would handle this.

> ***Suggested answer:*** *Sample response: Early in my career I struggled with saving money. Using a growth mindset I continued to learn from my mistakes and soon mastered how to create a personal budget. Now I always pay myself first, which led to a successful savings strategy.*