**Test Bank: Chapter 1**

**Beginning Your Financial Journey: The Interior Finance Point of View**

***Introduction to Personal Finance: Beginning Your Financial Journey***

**By John Grable and Lance Palmer**

**Section Coverage:**

**SECTION 1.1: Your Journey to Financial Well-Being**

* **Your Internal View of the Financial World**
	+ **1, 2, 3, 4, 5, 6, 14**
* **Launching Your Lifetime Financial Journey**
	+ **7, 8, 11, 13, 15**
* **The Journey to Financial Well-Being**
	+ **9, 10, 12**

**SECTION 1.2: Human Capital: An Essential Element of Financial Well-Being**

* **Human Capital**
* **16, 18, 19, 27, 28, 29, 30**
* **Social Capital**
* **17, 20, 21, 22, 23, 24,**
* **The College Payoff**
* **25, 26**

**SECTION 1.3: Financial Risk Tolerance and Financial Goal Achievement**

* **Financial Risk Tolerance**
	+ **31, 32, 33, 37, 42**
* **Financial Risk Tolerance and Wealth Accumulation**
	+ **34, 41, 43, 44, 45**
* **Risk Perception and Risk Preference**
	+ **35, 36, 38, 39, 40, 43**

**SECTION 1.4: Financial Goals and Time Perspective**

* **Setting SMART Financial Goals**
	+ **46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58**
* **Thinking About Time**
	+ **59, 60,**
* **Maintaining Commitment to Your Goals**
	+ **76, 77**

**SECTION 1.5: Psychology and Financial Well-Being**

* **Procrastination**
	+ **61, 62, 63**
* **Heuristics**
* **64, 65, 66, 67, 68, 69, 70, 75**
* **Using Heuristics as a Decision-Making Tool**
	+ **71, 72, 73, 74**

**Bloom’s Taxonomy Key:**

K – Knowledge

C – Comprehension

Ap – Application

A – Analysis

S – Synthesis

E – Evaluation

1. Which of the following refers to one’s ability to understand and use personal finance information?
	1. Financial literacy.
	2. Financial well-being.
	3. Financial knowledge.
	4. Financial ability.

Ans: c, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. People who believe that what happens to them is based on fate or luck might view their financial journey as being uncertain. This is an example of
	1. financial risk tolerance.
	2. financial literacy.
	3. feelings of control.
	4. financial ability.

Ans: c, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Internal finance includes your
	1. financial knowledge.
	2. financial risk tolerance.
	3. feelings of control.
	4. All of these answer choices are correct.

Ans: d, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following refers to your confidence and peace of mind regarding your financial situation?
	1. Financial literacy.
	2. Financial well-being.
	3. Financial knowledge.
	4. Financial ability.

Ans: b, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. In addition to financial knowledge, which of the following is important in shaping your view of the financial world?
	1. Financial risk tolerance, only.
	2. Feelings of control, only.
	3. Financial well-being.
	4. Financial risk tolerance and feelings of control.

Ans: d, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following refers to your willingness to engage in financial endeavors that have uncertain outcomes?
	1. Financial literacy.
	2. Financial risk tolerance.
	3. Financial knowledge.
	4. Financial ability.

Ans: b, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following is measured by adding up how much the United States produces in goods and services in a year?
	1. Gross domestic product.
	2. The cost of goods sold.
	3. Financial literacy.
	4. Financial risk tolerance.

Ans: a, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. How much of GDP consists of consumer spending?
	1. 46%.
	2. 50%.
	3. 60%.
	4. 66%.

Ans: d, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following is a course that will help you outline exactly how to apply your financial knowledge to achieve your life vision?
	1. Financial literacy.
	2. Financial roadmap.
	3. Financial knowledge.
	4. Financial ability.

Ans: b, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. An action item that should be a part of everyone’s journey to financial well-being includes which of the following?
	1. Keeping good records.
	2. Spending less than you earn.
	3. Maintaining appropriate insurance.
	4. All of these answer choices are correct.

Ans: d, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. How does consumer spending affect GDP?
	1. If spending decreases, GDP increases.
	2. If spending increases, GDP decreases.
	3. If spending increases, GDP increases.
	4. Consumer spending doesn’t affect GDP.

Ans: c, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Financial literacy takes more than financial knowledge. You must also have some key personal behaviors, including which of the following?
	1. Self-control.
	2. A desire to apply financial information to the management of your household financial situation.
	3. An interest in personal finance topics.
	4. All of these answer choices are correct.

Ans: d, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following is one of the most important predictors of savings and investment success and overall well-being?
	1. Financial literacy.
	2. Financial well-being.
	3. Financial knowledge.
	4. Financial ability.

Ans: a, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Those who increase their financial \_\_\_\_\_\_\_\_\_ tend to experience greater life and financial well-being.
	1. literacy
	2. risks
	3. knowledge
	4. ability

Ans: c, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. If you slow down or stop spending, what happens to GDP?
	1. GDP increases.
	2. GDP decreases.
	3. GDP is unchanged.
	4. GDP is not related to consumer spending.

Ans: b, LO: 1.1, Section 1.1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Your ability and willingness to work, learn, earn, and make wise decisions about how to save and invest money refers to what?
	1. Financial literacy.
	2. Financial well-being.
	3. Social capital.
	4. Human capital.

Ans: d, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. How well you are able to form connections with other people is referred to as what?
	1. Financial literacy.
	2. Financial well-being.
	3. Social capital.
	4. Human capital.

Ans: c, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Human capital is your most valuable
	1. asset.
	2. liability.
	3. skill.
	4. ability.

Ans: a, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Example(s) of human capital include which of the following?
	1. Formal education.
	2. Health.
	3. Skill development.
	4. All of these answer choices are correct.

Ans: d, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following is not found in individuals themselves but rather in the space between individuals or the network of connections among people?
2. Financial literacy.
3. Financial well-being.
4. Social capital.
5. Human capital.

Ans: c, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Social capital includes which of the following?
	1. Informal and formal networks.
	2. Financial well-being and financial knowledge.
	3. Formal networks and financial knowledge.
	4. Human capital and informal networks.

Ans: a, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following includes the interpersonal relationships you form with your family and close friends?
	1. Informal networks.
	2. Formal networks.
	3. Financial capability.
	4. Human capital.

Ans: a, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following connects you with people in professional, recreational, leisure, and social communities?
	1. Informal networks.
	2. Formal networks.
	3. Financial capability.
	4. Human capital.

Ans: b, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following can both help and seriously deplete your social capital?
	1. Informal networks.
	2. Formal networks.
	3. Social media sites.
	4. Human capital.

Ans: c, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following is the point where returns through job placements, income, and human capital outweigh the costs of attendance?
	1. Informal networks.
	2. Formal networks.
	3. Financial capability.
	4. Educational value.

Ans: d, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Individuals with a professional degree expect to earn what amount more than those with only a high school diploma over the lifetime?
	1. $500,000.
	2. $1 million.
	3. $2 million.
	4. $2.5 million.

Ans: c, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. How does relocating to where specific types of human capital are more valued affect how much you can earn?
	1. Increase earnings.
	2. Decrease earnings.
	3. Double earnings.
	4. Triple earnings.

Ans: a, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Generally, healthy people work \_\_\_\_\_\_ hours and for a \_\_\_\_\_\_\_\_ period of years over their life span compared to those with impaired health histories.
	1. fewer; shorter
	2. more; longer
	3. the same; shorter
	4. fewer; longer

Ans: b, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Poor health may result in a(n) \_\_\_\_\_\_ standard of living across the life span.
	1. lower
	2. higher
	3. lower or higher
	4. unchanged

Ans: a, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. From the beginning of your career until retirement, human capital \_\_\_\_\_\_\_ and financial wealth \_\_\_\_\_\_\_.
	1. increases; increases
	2. increases; decreases
	3. decreases; increases
	4. decreases; decreases

Ans: a, LO: 1.2, Section 1.2, Bloom: K, Difficulty: Medium, Min: 1, AACSB: none, AICPA FC: none, IMA: none

Solution: Early in your career and continuing throughout your career, your human capital will increase which in turn will cause your wealth to increase. Once you retire, your human capital will begin to decrease along with your wealth since you are no longer working and earning a paycheck.

1. Risk is the \_\_\_\_\_\_ associated with any physical, social, emotional, environmental, workplace, or financial activity.
	1. uncertainty
	2. financial implication
	3. project result
	4. benefit

Ans: a, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. What refers to doing something that involves the possibility of both a gain and a loss?
	1. Uncertainty.
	2. Risk-taking.
	3. Risk avoidance.
	4. Risk tolerance.

Ans: b, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. What refers to your willingness to engage in a risky behavior that entails the possibility of a financial loss?
	1. Uncertainty.
	2. Risk-taking.
	3. Risk avoidance.
	4. Risk tolerance.

Ans: d, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. The relationship between wealth accumulation and risk tolerance is referred to as what?
	1. Positive.
	2. Negative.
	3. Equal.
	4. No association.

Ans: a, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Your cognitive evaluation of the potential gains and losses associated with a course of action is referred to as what?
	1. Risk-taking.
	2. Risk avoidance.
	3. Risk tolerance.
	4. Risk perception.

Ans: d, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Your \_\_\_\_\_\_\_ is wanting something else compared to the option available.
	1. uncertainty
	2. risk-taking
	3. risk preference
	4. risk tolerance

Ans: c, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. What happens to your risk tolerance over time?
	1. Decreases.
	2. Changes.
	3. Remains the same.
	4. Is unstable.

Ans: b, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. What percent of the time did the stock market generate a positive annual return from 1824 to 2013?
	1. 33%.
	2. 47%.
	3. 62%.
	4. 71%.

Ans: d, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Your willingness to take a risk is influenced by your initial \_\_\_\_\_\_\_\_ and your ultimate preferences.
	1. perception
	2. financial knowledge
	3. financial ability
	4. risk tolerance

Ans: a, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. In the financial marketplace, the only way to accumulate a certain level of wealth is to take \_\_\_\_\_\_\_ with your savings.
	1. informed financial risks
	2. all risks
	3. no risks
	4. decreased risks

Ans: a, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Low-risk investments tend to generate \_\_\_\_\_\_\_ amounts of investment income and wealth.
	* + - 1. high
				2. low
				3. stable
				4. low and volatile

Ans: b, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Financial knowledge can lead to increased what?
2. Confidence.
3. Risk.
4. Perception.
5. Social capital.

Ans: a, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Increased financial understanding can lead to what?

Increased risk tolerance.

Decreased risk tolerance.

No change in risk tolerance.

None of these answer choices are correct.

Ans: a, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Tolerance for risk can lead to what?
	1. Decreased ability.
	2. Increased ability.
	3. Increased confidence.
	4. Financial risk-taking.

Ans: d, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Higher financial risk tolerance will help you engage in financial behaviors that have \_\_\_\_\_\_ long-term payoffs.
	1. lower
	2. equal
	3. greater
	4. None of these answer choices are correct.

Ans: c, LO: 1.3, Section 1.3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following refers to the “S” in SMART goals?
	1. Specific.
	2. Simple.
	3. Strategic.
	4. Significant.

Ans: a, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following refers to the “M” in SMART goals?
	1. Momentous.
	2. Magnitude.
	3. Measurable.
	4. Manageable.

Ans: c, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following refers to the “A” in SMART goals?
	1. Attainable.
	2. Authentic.
	3. Allowed.
	4. Ample.

Ans: a, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following refers to the “R” in SMART goals?
	1. Reportable.
	2. Rampant.
	3. Reliable.
	4. Relevant.

Ans: d, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following refers to the “T” in SMART goals?
	1. Theoretical.
	2. Transcending.
	3. Timely.
	4. Term.

Ans: c, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. What type of goals are represented on your financial map?
	1. Long-term.
	2. Short-term.
	3. Life.
	4. Goals are not included on the map.

Ans: a, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. What is included in your financial compass?
	1. Short-term goals, only.
	2. Long-term goals, only.
	3. Neither daily tasks nor long-term goals.
	4. Both short-term goals and daily tasks.

Ans: d, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following includes things that need to happen along the way toward reaching a financial goal?
	1. Financial objectives.
	2. Financial abilities.
	3. Financial skills.
	4. Financial literacy.

Ans: a, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following represents a SMART goal?
	1. Start saving early in life in order to save enough to reach the goal.
	2. Have an income over $80,000 from personal savings, Social Security, and retirement plan assets.
	3. Retire at age 67 in Florida with an annual income of $80,000.
	4. Begin saving today to reach future goals.

Ans: c, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Medium, Min: 1, AACSB: none, AICPA FC: none, IMA: none

Solution: A SMART goal is Specific, Measurable, Attainable, Relevant, and Timely. The option “Retire at age 67 in Florida with an annual income of $80,000” is specific since it gives the exact age at which to retire, the state to retire in, and the amount of retirement income. It is measurable because you will know how much income is being earned. It is attainable and relevant at $80,000 and timely due to the age given.

1. Which of the following represents a timely goal?
	1. Start saving $100 per month 5 years before you expect to need to buy a new car with a $6,000 down payment.
	2. Have an income of $180,000 from personal savings, Social Security, and retirement plan assets.
	3. Retire at age 67 in Florida with an annual income of $80,000.
	4. Begin saving today to buy a beach house.

Ans: a, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Medium, Min: 1, AACSB: none, AICPA FC: none, IMA: none

Solution: The option “Start saving $100 per month 5 years before you expect to need to buy a new car with a $6,000 down payment,” is a timely goal as it gives the time frame for the goal.

1. Which of the following represents a measurable goal?
	1. Start saving early in life in order to save enough to reach the goal.
	2. Have an income of $80,000 from personal savings, Social Security, and retirement plan assets.
	3. Retire at age 67 in Florida with a substantial annual income.
	4. Begin saving today to reach future goals.

Ans: b, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Medium, Min: 1, AACSB: none, AICPA FC: none, IMA: none

Solution: The option “Have an income of $80,000 from personal savings, Social Security, and retirement plan assets” is measurable since it is quantifiable.

1. Which of the following represents a relevant goal?
	1. Start saving early in life in order to save enough to buy a beach house.
	2. Have an income of $80,000 from personal savings, Social Security, and retirement plan assets.
	3. Retire at age 67 in Florida with an annual income of $80,000.
	4. Begin saving today to reach future goals.

Ans: d, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Medium, Min: 1, AACSB: none, AICPA FC: none, IMA: none

Solution: The option “Begin saving today to reach future goals” is relevant since it is crucial to improving your financial situation today and in the future.

1. Which of the following represents an attainable goal?
	1. Purchase a condominium in a 55-or-older community.
	2. Have an income of $180,000 from personal savings, Social Security, and retirement plan assets.
	3. Retire at age 67 in Florida with an annual income of $180,000.
	4. Begin saving today to reach future goals.

Ans: a, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Medium, Min: 1, AACSB: none, AICPA FC: none, IMA: none

Solution: The purchase of a condominium in a 55-or-older community is attainable because it is a realistic goal that can be achieved.

1. Which of the following refers to the time between creating a goal and actually achieving the goal?
	1. Time in the middle.
	2. Goal time horizon.
	3. Time to save.
	4. Intermediate time.

Ans: b, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following refers to a long-term goal?
	1. More than 2.5 years–5 years.
	2. More than 5 years–10 years.
	3. More than 10 years.
	4. More than 15 years.

Ans: c, LO: 1.4, Section 1.4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following refers to placing more value on the present at the expense of the future?
	1. Procrastination.
	2. Hyperbolic discounting.
	3. Heuristics.
	4. Status quo bias.

Ans: a, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. What is said to occur when the value of future benefits is perceived to be lower than that of an alternative available right now?
	1. Procrastination.
	2. Hyperbolic discounting.
	3. Financial capability.
	4. Goal setting.

Ans: b, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Accepting $5 today instead of waiting to receive $7 tomorrow is an example of what?
	1. Procrastination.
	2. Hyperbolic discounting.
	3. Financial capability.
	4. Goal setting.

Ans: b, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following study how people go about making financial decisions?
	1. Scientists.
	2. Teachers.
	3. Behavioral economists.
	4. Accountants.

Ans: c, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following does our mind use to make decisions more quickly and easily than if we labor over every choice?
	1. Procrastination.
	2. Hyperbolic discounting.
	3. Behavioral economics.
	4. Heuristics.

Ans: d, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Heuristics is based on what type of experiences?
	1. Past.
	2. Present.
	3. Future.
	4. Heuristics is not based on experiences.

Ans: a, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following refers to your personal preference for keeping things just like they currently are?
	1. Heuristics.
	2. Hyperbolic discounting.
	3. Status quo bias.
	4. Procrastination.

Ans: c, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. If you dislike losing, especially money, you might be said to be which of the following?
	1. Loss-averse.
	2. Procrastinator.
	3. Strategic.
	4. Heuristic.

Ans: a, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. What term best describes the belief that you will rarely, if ever, experience a painful loss during your lifetime?
	1. Loss-aversion.
	2. Status quo bias.
	3. Optimism bias.
	4. Procrastination.

Ans: c, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. What can lead to becoming overconfident in future decisions?
	1. Confirmatory bias.
	2. Status quo bias.
	3. Optimism bias.
	4. Procrastination.

Ans: a, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Using heuristics as a decision-making tool includes which of the following steps?
	1. Identify the problem or issue.
	2. Gather data.
	3. Analyze the situation and data.
	4. All of these answer choices are correct.

Ans: d, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. In the heuristics decision-making process, making a commitment to the best option is an example of which step?
	1. Identify the problem or issue.
	2. Gather data.
	3. Analyze the situation and data.
	4. Implement the decision.

Ans: d, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. In the heuristics decision-making process, evaluating options is an example of which step?
	1. Identify the problem or issue.
	2. Gather data.
	3. Analyze the situation and data.
	4. Monitor decision outcomes.

Ans: c, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following is an example of precommitting to decisions using heuristics as a decision-making tool?
	1. Using deadlines.
	2. Focusing on small steps.
	3. Paying bills automatically.
	4. Defining where you want to be financially.

Ans: a, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Which of the following provides an example of the actions of those who fall prey to status quo bias?
	1. Never buy stocks on Monday.
	2. When making an estimate, always be conservative.
	3. Underestimate the benefits that come from making a change.
	4. Shop for a new car at the beginning of the month, but buy the car at the end of the month.

Ans: c, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Self-efficacy refers to
	1. how long you allow yourself to complete a financial goal.
	2. how well you believe that you can achieve a goal.
	3. your risk-tolerance level.
	4. your ability to not procrastinate in working toward a financial goal.

Ans: b, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none

1. Two ways the importance of a personal financial goal can increase are by
	1. decreasing the risk tolerance and risk preference.
	2. external factors and internal factors.
	3. external factors and focusing on things that are out of control.
	4. internal factors and establishing a single complex goal.

Ans: b, LO: 1.5, Section 1.5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: none, AICPA FC: none, IMA: none