

***Introduction to Personal Finance, 1e (Grable)***

**Chapter 1 Beginning Your Financial Journey: The Interior Finance Point of View**

1) Which of the following refers to one's ability to understand and use personal finance information?

- A) Financial literacy.
- B) Financial well-being.
- C) Financial knowledge.
- D) Financial ability.

Answer: C

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

2) 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

- A) financial risk tolerance.
- B) financial literacy.
- C) feelings of control.
- D) financial ability.

Answer: C

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

3) Internal finance includes your

- A) financial knowledge.
- B) financial risk tolerance.
- C) feelings of control.
- D) All of these answer choices are correct.

Answer: D

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

4) Which of the following refers to your confidence and peace of mind regarding your financial situation?

- A) Financial literacy.
- B) Financial well-being.
- C) Financial knowledge.
- D) Financial ability.

Answer: B

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

5) In addition to financial knowledge, which of the following is important in shaping your view of the financial world?

- A) Financial risk tolerance, only.
- B) Feelings of control, only.
- C) Financial well-being.
- D) Financial risk tolerance and feelings of control.

Answer: D

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

6) Which of the following refers to your willingness to engage in financial endeavors that have uncertain outcomes?

- A) Financial literacy.
- B) Financial risk tolerance.
- C) Financial knowledge.
- D) Financial ability.

Answer: B

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

7) Which of the following is measured by adding up how much the United States produces in goods and services in a year?

- A) Gross domestic product.
- B) The cost of goods sold.
- C) Financial literacy.
- D) Financial risk tolerance.

Answer: A

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

8) How much of GDP consists of consumer spending?

- A) 46%.
- B) 50%.
- C) 60%.
- D) 66%.

Answer: D

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

9) Which of the following is a course that will help you outline exactly how to apply your financial knowledge to achieve your life vision?

- A) Financial literacy.
- B) Financial roadmap.
- C) Financial knowledge.
- D) Financial ability.

Answer: B

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

10) An action item that should be a part of everyone's journey to financial well-being includes which of the following?

- A) Keeping good records.
- B) Spending less than you earn.
- C) Maintaining appropriate insurance.
- D) All of these answer choices are correct.

Answer: D

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

11) How does consumer spending affect GDP?

- A) If spending decreases, GDP increases.
- B) If spending increases, GDP decreases.
- C) If spending increases, GDP increases.
- D) Consumer spending doesn't affect GDP.

Answer: C

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

12) Financial literacy takes more than financial knowledge. You must also have some key personal behaviors, including which of the following?

- A) Self-control.
- B) A desire to apply financial information to the management of your household financial situation.
- C) An interest in personal finance topics.
- D) All of these answer choices are correct.

Answer: D

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

13) Which of the following is one of the most important predictors of savings and investment success and overall well-being?

- A) Financial literacy.
- B) Financial well-being.
- C) Financial knowledge.
- D) Financial ability.

Answer: A

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

14) Those who increase their financial \_\_\_\_\_ tend to experience greater life and financial well-being.

- A) literacy
- B) risks
- C) knowledge
- D) ability

Answer: C

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

15) If you slow down or stop spending, what happens to GDP?

- A) GDP increases.
- B) GDP decreases.
- C) GDP is unchanged.
- D) GDP is not related to consumer spending.

Answer: B

Diff: 1

LO: 1.1, Section 1.1

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

16) Your ability and willingness to work, learn, earn, and make wise decisions about how to save and invest money refers to what?

- A) Financial literacy.
- B) Financial well-being.
- C) Social capital.
- D) Human capital.

Answer: D

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

17) How well you are able to form connections with other people is referred to as what?

- A) Financial literacy.
- B) Financial well-being.
- C) Social capital.
- D) Human capital.

Answer: C

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

18) Human capital is your most valuable

- A) asset.
- B) liability.
- C) skill.
- D) ability.

Answer: A

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

19) Example(s) of human capital include which of the following?

- A) Formal education.
- B) Health.
- C) Skill development.
- D) All of these answer choices are correct.

Answer: D

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

20) Which of the following is not found in individuals themselves but rather in the space between individuals or the network of connections among people?

- A) Financial literacy.
- B) Financial well-being.
- C) Social capital.
- D) Human capital.

Answer: C

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

21) Social capital includes which of the following?

- A) Informal and formal networks.
- B) Financial well-being and financial knowledge.
- C) Formal networks and financial knowledge.
- D) Human capital and informal networks.

Answer: A

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

22) Which of the following includes the interpersonal relationships you form with your family and close friends?

- A) Informal networks.
- B) Formal networks.
- C) Financial capability.
- D) Human capital.

Answer: A

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

23) Which of the following connects you with people in professional, recreational, leisure, and social communities?

- A) Informal networks.
- B) Formal networks.
- C) Financial capability.
- D) Human capital.

Answer: B

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

24) Which of the following can both help and seriously deplete your social capital?

- A) Informal networks.
- B) Formal networks.
- C) Social media sites.
- D) Human capital.

Answer: C

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1



25) Which of the following is the point where returns through job placements, income, and human capital outweigh the costs of attendance?

- A) Informal networks.
- B) Formal networks.
- C) Financial capability.
- D) Educational value.

Answer: D

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

26) Individuals with a professional degree expect to earn what amount more than those with only a high school diploma over the lifetime?

- A) \$500,000.
- B) \$1 million.
- C) \$2 million.
- D) \$2.5 million.

Answer: C

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

27) How does relocating to where specific types of human capital are more valued affect how much you can earn?

- A) Increase earnings.
- B) Decrease earnings.
- C) Double earnings.
- D) Triple earnings.

Answer: A

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

28) Generally, healthy people work \_\_\_\_\_ hours and for a \_\_\_\_\_ period of years over their life span compared to those with impaired health histories.

- A) fewer; shorter
- B) more; longer
- C) the same; shorter
- D) fewer; longer

Answer: B

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

29) Poor health may result in a(n) \_\_\_\_\_ standard of living across the life span.

- A) lower
- B) higher
- C) lower or higher
- D) unchanged

Answer: A

Diff: 1

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

30) From the beginning of your career until retirement, human capital \_\_\_\_\_ and financial wealth \_\_\_\_\_.

- A) increases; increases
- B) increases; decreases
- C) decreases; increases
- D) decreases; decreases

Answer: A

Explanation: 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.

Diff: 2

LO: 1.2, Section 1.2

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

31) Risk is the \_\_\_\_\_ associated with any physical, social, emotional, environmental, workplace, or financial activity.

- A) uncertainty
- B) financial implication
- C) project result
- D) benefit

Answer: A

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

32) What refers to doing something that involves the possibility of both a gain and a loss?

- A) Uncertainty.
- B) Risk-taking.
- C) Risk avoidance.
- D) Risk tolerance.

Answer: B

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

33) What refers to your willingness to engage in a risky behavior that entails the possibility of a financial loss?

- A) Uncertainty.
- B) Risk-taking.
- C) Risk avoidance.
- D) Risk tolerance.

Answer: D

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

34) The relationship between wealth accumulation and risk tolerance is referred to as what?

- A) Positive.
- B) Negative.
- C) Equal.
- D) No association.

Answer: A

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

35) Your cognitive evaluation of the potential gains and losses associated with a course of action is referred to as what?

- A) Risk-taking.
- B) Risk avoidance.
- C) Risk tolerance.
- D) Risk perception.

Answer: D

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

36) Your \_\_\_\_\_ is wanting something else compared to the option available.

- A) uncertainty
- B) risk-taking
- C) risk preference
- D) risk tolerance

Answer: C

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

37) What happens to your risk tolerance over time?

- A) Decreases.
- B) Changes.
- C) Remains the same.
- D) Is unstable.

Answer: B

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

38) What percent of the time did the stock market generate a positive annual return from 1824 to 2013?

- A) 33%.
- B) 47%.
- C) 62%.
- D) 71%.

Answer: D

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

39) Your willingness to take a risk is influenced by your initial \_\_\_\_\_ and your ultimate preferences.

- A) perception
- B) financial knowledge
- C) financial ability
- D) risk tolerance

Answer: A

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

40) In the financial marketplace, the only way to accumulate a certain level of wealth is to take \_\_\_\_\_ with your savings.

- A) informed financial risks
- B) all risks
- C) no risks
- D) decreased risks

Answer: A

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

41) Low-risk investments tend to generate \_\_\_\_\_ amounts of investment income and wealth.

- A) high
- B) low
- C) stable
- D) low and volatile

Answer: B

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

42) Financial knowledge can lead to increased what?

- A) Confidence.
- B) Risk.
- C) Perception.
- D) Social capital.

Answer: A

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

43) Increased financial understanding can lead to what?

- A) Increased risk tolerance.
- B) Decreased risk tolerance.
- C) No change in risk tolerance.
- D) None of these answer choices are correct.

Answer: A

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

44) Tolerance for risk can lead to what?

- A) Decreased ability.
- B) Increased ability.
- C) Increased confidence.
- D) Financial risk-taking.

Answer: D

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

45) Higher financial risk tolerance will help you engage in financial behaviors that have \_\_\_\_\_ long-term payoffs.

- A) lower
- B) equal
- C) greater
- D) None of these answer choices are correct.

Answer: C

Diff: 1

LO: 1.3, Section 1.3

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

46) Which of the following refers to the "S" in SMART goals?

- A) Specific.
- B) Simple.
- C) Strategic.
- D) Significant.

Answer: A

Diff: 1

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

47) Which of the following refers to the "M" in SMART goals?

- A) Momentous.
- B) Magnitude.
- C) Measurable.
- D) Manageable.

Answer: C

Diff: 1

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

48) Which of the following refers to the "A" in SMART goals?

- A) Attainable.
- B) Authentic.
- C) Allowed.
- D) Ample.

Answer: A

Diff: 1

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1



49) Which of the following refers to the "R" in SMART goals?

- A) Reportable.
- B) Rampant.
- C) Reliable.
- D) Relevant.

Answer: D

Diff: 1

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

50) Which of the following refers to the "T" in SMART goals?

- A) Theoretical.
- B) Transcending.
- C) Timely.
- D) Term.

Answer: C

Diff: 1

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

51) What type of goals are represented on your financial map?

- A) Long-term.
- B) Short-term.
- C) Life.
- D) Goals are not included on the map.

Answer: A

Diff: 1

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

52) What is included in your financial compass?

- A) Short-term goals, only.
- B) Long-term goals, only.
- C) Neither daily tasks nor long-term goals.
- D) Both short-term goals and daily tasks.

Answer: D

Diff: 1

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

53) Which of the following includes things that need to happen along the way toward reaching a financial goal?

- A) Financial objectives.
- B) Financial abilities.
- C) Financial skills.
- D) Financial literacy.

Answer: A

Diff: 1

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

54) Which of the following represents a SMART goal?

- A) Start saving early in life in order to save enough to reach the goal.
- B) Have an income over \$80,000 from personal savings, Social Security, and retirement plan assets.
- C) Retire at age 67 in Florida with an annual income of \$80,000.
- D) Begin saving today to reach future goals.

Answer: C

Explanation: 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.

Diff: 2

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

55) Which of the following represents a timely goal?

- A) Start saving \$100 per month 5 years before you expect to need to buy a new car with a \$6,000 down payment.
- B) Have an income of \$180,000 from personal savings, Social Security, and retirement plan assets.
- C) Retire at age 67 in Florida with an annual income of \$80,000.
- D) Begin saving today to buy a beach house.

Answer: A

Explanation: 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.

Diff: 2

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

56) Which of the following represents a measurable goal?

- A) Start saving early in life in order to save enough to reach the goal.
- B) Have an income of \$80,000 from personal savings, Social Security, and retirement plan assets.
- C) Retire at age 67 in Florida with a substantial annual income.
- D) Begin saving today to reach future goals.

Answer: B

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

Diff: 2

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

57) Which of the following represents a relevant goal?

- A) Start saving early in life in order to save enough to buy a beach house.
- B) Have an income of \$80,000 from personal savings, Social Security, and retirement plan assets.
- C) Retire at age 67 in Florida with an annual income of \$80,000.
- D) Begin saving today to reach future goals.

Answer: D

Explanation: 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.

Diff: 2

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

58) Which of the following represents an attainable goal?

- A) Purchase a condominium in a 55-or-older community.
- B) Have an income of \$180,000 from personal savings, Social Security, and retirement plan assets.
- C) Retire at age 67 in Florida with an annual income of \$180,000.
- D) Begin saving today to reach future goals.

Answer: A

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

Diff: 2

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

59) Which of the following refers to the time between creating a goal and actually achieving the goal?

- A) Time in the middle.
- B) Goal time horizon.
- C) Time to save.
- D) Intermediate time.

Answer: B

Diff: 1

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

60) Which of the following refers to a long-term goal?

- A) More than 2.5 years–5 years.
- B) More than 5 years–10 years.
- C) More than 10 years.
- D) More than 15 years.

Answer: C

Diff: 1

LO: 1.4, Section 1.4

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

61) Which of the following refers to placing more value on the present at the expense of the future?

- A) Procrastination.
- B) Hyperbolic discounting.
- C) Heuristics.
- D) Status quo bias.

Answer: A

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

62) What is said to occur when the value of future benefits is perceived to be lower than that of an alternative available right now?

- A) Procrastination.
- B) Hyperbolic discounting.
- C) Financial capability.
- D) Goal setting.

Answer: B

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

63) Accepting \$5 today instead of waiting to receive \$7 tomorrow is an example of what?

- A) Procrastination.
- B) Hyperbolic discounting.
- C) Financial capability.
- D) Goal setting.

Answer: B

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

64) Which of the following study how people go about making financial decisions?

- A) Scientists.
- B) Teachers.
- C) Behavioral economists.
- D) Accountants.

Answer: C

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

65) Which of the following does our mind use to make decisions more quickly and easily than if we labor over every choice?

- A) Procrastination.
- B) Hyperbolic discounting.
- C) Behavioral economics.
- D) Heuristics.

Answer: D

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

66) Heuristics is based on what type of experiences?

- A) Past.
- B) Present.
- C) Future.
- D) Heuristics is not based on experiences.

Answer: A

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

67) Which of the following refers to your personal preference for keeping things just like they currently are?

- A) Heuristics.
- B) Hyperbolic discounting.
- C) Status quo bias.
- D) Procrastination.

Answer: C

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

68) If you dislike losing, especially money, you might be said to be which of the following?

- A) Loss-averse.
- B) Procrastinator.
- C) Strategic.
- D) Heuristic.

Answer: A

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

69) What term best describes the belief that you will rarely, if ever, experience a painful loss during your lifetime?

- A) Loss-aversion.
- B) Status quo bias.
- C) Optimism bias.
- D) Procrastination.

Answer: C

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

70) What can lead to becoming overconfident in future decisions?

- A) Confirmatory bias.
- B) Status quo bias.
- C) Optimism bias.
- D) Procrastination.

Answer: A

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

71) Using heuristics as a decision-making tool includes which of the following steps?

- A) Identify the problem or issue.
- B) Gather data.
- C) Analyze the situation and data.
- D) All of these answer choices are correct.

Answer: D

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1



72) In the heuristics decision-making process, making a commitment to the best option is an example of which step?

- A) Identify the problem or issue.
- B) Gather data.
- C) Analyze the situation and data.
- D) Implement the decision.

Answer: D

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

73) In the heuristics decision-making process, evaluating options is an example of which step?

- A) Identify the problem or issue.
- B) Gather data.
- C) Analyze the situation and data.
- D) Monitor decision outcomes.

Answer: C

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

74) Which of the following is an example of precommitting to decisions using heuristics as a decision-making tool?

- A) Using deadlines.
- B) Focusing on small steps.
- C) Paying bills automatically.
- D) Defining where you want to be financially.

Answer: A

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

75) Which of the following provides an example of the actions of those who fall prey to status quo bias?

- A) Never buy stocks on Monday.
- B) When making an estimate, always be conservative.
- C) Underestimate the benefits that come from making a change.
- D) Shop for a new car at the beginning of the month, but buy the car at the end of the month.

Answer: C

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

76) Self-efficacy refers to

- A) how long you allow yourself to complete a financial goal.
- B) how well you believe that you can achieve a goal.
- C) your risk-tolerance level.
- D) your ability to not procrastinate in working toward a financial goal.

Answer: B

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

77) Two ways the importance of a personal financial goal can increase are by

- A) decreasing the risk tolerance and risk preference.
- B) external factors and internal factors.
- C) external factors and focusing on things that are out of control.
- D) internal factors and establishing a single complex goal.

Answer: B

Diff: 1

LO: 1.5, Section 1.5

Bloom: K

AACSB / IMA: none; none

AICPA: FC: none

Min: 1

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